
Consolidated corporate governance report

Basic principles

EVN AG (EVN) is an Austrian stock corporation 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) and the rules of procedure for the company's corporate bodies.

Commitment to the Austrian Corporate Governance Code

Introduction

The Executive Board and 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 is available under www.corporate-governance.at.

Burgenland Holding Aktiengesellschaft is a stock corporation under Austrian law, which is listed on the Vienna Stock Exchange and included in EVN's scope of consolidation. The corporate governance report prepared and published by this company is available under www.buho.at/corporate-governance-report.

The ACGC rules are divided into three categories¹⁾. 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) should be observed; any deviations must be explained

and justified. 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 disclosure or justification of deviations.

1) In order to improve readability, reference to the ACGC is not provided for the rules in the following section.

The Executive Board and Supervisory Board formally declare that EVN complies with all C-Rules of the ACGC, irrespective of the following deviation and explanation. 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:

C-Rule 16: EVN does not comply with this rule which requires the management board to have a chairman. 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 company's structure. In this case, a valid resolution by the Executive Board requires that meetings are 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 to the spokesman in this case. The Supervisory Board's decision not to appoint a chairman for the Executive Board applies for an indefinite period.

Executive Board

Composition

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 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 investment management, legal and public affairs, information and communications, and human resources. In accordance with the disclosure required by C-Rule 16, 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

Functions in significant subsidiaries¹⁾

	Function
Burgenland Holding Aktiengesellschaft	Chairman of the supervisory board
EVN Macedonia AD	Chairman of the supervisory board
Netz Niederösterreich GmbH	Vice-Chairman of the supervisory board
RAG-Beteiligungs-Aktiengesellschaft	Chairman of the supervisory board

- 1) In addition to the supervisory board functions, the Executive Board manages significant subsidiaries based on quarterly reporting by segment.

Working procedures

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, the by-laws and the rules of procedure for the Executive Board that were approved by the Supervisory Board as well as the ACGC.

Irrespective of the Executive Board's overall responsibility, the Supervisory Board establishes and assigns specific areas of respon-

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 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, administration and construction, and internal auditing.

Functions in significant subsidiaries¹⁾

	Function
Burgenland Holding Aktiengesellschaft	Vice-Chairman of the supervisory board
Netz Niederösterreich GmbH	Chairman of the supervisory board
RAG-Beteiligungs-Aktiengesellschaft	Member of the supervisory board

- 1) In addition to the supervisory board functions, the Executive Board manages significant subsidiaries based on quarterly reporting by segment.

sibility 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.

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.

Remuneration

The remuneration of the active Executive Board members totalled TEUR 1,234.9 in 2018/19 (including compensation in kind and contributions to pension funds). Of this total, TEUR 651.3 are attributable to Stefan Szyszkowitz and TEUR 583.6 to Franz Mittermayer.

Performance-based bonus programme for the Executive Board (C-Rules 27, 30): In 2018/19 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 2017/18 financial year. The performance-based component consists of the following: 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 ranging from 0% to 200% were defined for the quantitative performance criteria (the increase in EVA® and the cash flow contribution), whereas 0% to 100% of the individually agreed targets can be achieved. Additional information on the remuneration scheme for senior management staff (C-Rule 28a) is provided in the remuneration report.

Principles applicable to entitlements and claims by the Executive Board of the company on termination of their functions (C-Rule 30): 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; payments from the Austrian pension scheme and VBV-Pensionskasse are considered part of this amount.

Directors and officers insurance (C-Rule 30): The members of the Executive Board are covered by an asset/liability insurance for corporate directors (D&O insurance). The policy covers claims for damages by the company, shareholders, creditors, competitors and customers against the Executive Board resulting from violations of the legal obligation to exercise diligence in their capacity as managing directors. The costs for this insurance are carried by the company.

Supervisory Board

Composition

As of 30 September 2019, 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 C-Rule 53, is documented on the list on page 96.

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 Supervisory Board's rules of procedure 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 composition of the Supervisory Board changed as follows during 2018/19: The Works Council delegated Irene Pugl and Uwe Mitter to the Supervisory Board as of 14 May 2019 as replacements for Manfred Weinrichter and Franz Hemm who resigned from this body.

Executive Board remuneration

C-Rule 31, TEUR

	2018/19		
	Fixed remuneration	Variable remuneration	Compensation in kind
Stefan Szyszkowitz ¹⁾	414.8	162.3	11.4
Franz Mittermayer ²⁾	387.1	124.6	13.9

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 62.8.

2) For Franz Mittermayer, the pension fund contributions equalled TEUR 58.0.

□ For more information on the remuneration of the Executive Board, see the consolidated notes on page 214

Members of the Supervisory Board

Shareholder representatives	Date of initial appointment ¹⁾	Functions in listed companies and other important functions	Independence C-Rule 53 ²⁾	Diversity factors ³⁾
Bettina Glatz-Kremsner President and Chairwoman	21.01.2016	Chairwoman of the management board of Casinos Austria Aktiengesellschaft; managing director of Österreichische Lotterien Gesellschaft m.b.H.; chairwoman of the supervisory board of Flughafen Wien Aktiengesellschaft; general council member of Oesterreichische Nationalbank	Yes	Female born 1962 Austria
Norbert Griesmayr 1 st Vice-Chairman	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 and Collegialität Versicherungsverein Privatstiftung; member of the supervisory board of VAV Versicherungs-Aktiengesellschaft	No	Male born 1957 Austria
Willi Stoiwicek 2 nd Vice-Chairman	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	21.01.2016	Administrative lawyer; chairman of the management board of Business Messen Wiener Neustadt Genossenschaft für Wirtschaftsförderung registrierte Genossenschaft mit beschränkter Haftung; chairman of Abwasserverband Wiener Neustadt-Süd; member of the Wiener Neustadt town council	Yes	Male born 1979 Austria
Dieter Lutz	12.01.2006	Managing director of IMMRE-LUTZ GmbH; 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	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	21.01.2016	Management consultant	Yes	Female born 1961 Austria
Angela Stransky	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	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	19.01.2017	Head of investment management at EnBW Energie Baden-Württemberg AG	Yes	Male born 1966 Germany
Employee representatives				
Paul Hofer	01.04.2007	Chairman of the Central Works Council of EVN; member of the supervisory board of VBV-Pensionskasse Aktiengesellschaft		Male born 1960 Austria
Uwe Mitter	14.05.2019	Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male born 1971 Austria
Irene Pügl	14.05.2019	Chairwoman of the Works Council of EVN Business Service GmbH		Female born 1975 Austria
Friedrich Bußlehner	01.01.2016	Vice-Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male born 1962 Austria
Monika Fraißl	01.07.2013	Vice-Chairwoman of the Works Council of Netz Niederösterreich GmbH (headquarters)		Female born 1973 Austria
Franz Hemm	03.05.1994 (until 13.05.2019)	Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male born 1955 Austria
Manfred Weinrichter	01.01.2001 (until 13.05.2019)	Vice-Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male born 1961 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.

2) Independence of the company and the Executive Board

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

Independence

A member of the Supervisory Board is considered to be independent in accordance with C-Rule 53 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 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 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 or a subsidiary of EVN that are considered material for that member. This also applies to business relations of EVN or a subsidiary of EVN 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 does not automatically lead to qualification as not independent;
- may not have acted as an auditor of EVN 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 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.

Contracts requiring the approval of the Supervisory Board

(L-Rule 48): No contractual agreements were concluded between a member of the Supervisory Board and EVN or one of its subsidiaries which would entitle the member to more than an insignificant payment. All such contracts are subject to the approval of the Supervisory Board.

Working procedures

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.

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. The reports by the Executive Board and other points on the agenda for these meetings regularly covered the economic, ecological and social aspects of the subjects under discussion. In addition, a closed conference provided the setting for an extensive discussion by the Supervisory Board of the Austrian climate and energy strategy from EVN's perspective.

The most important decisions taken by the Supervisory Board during the reporting year included the authorisation of the 2017/18 annual financial statements and the approval of the 2019/20 budget for the EVN Group. 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 protect supply security and the transport of renewable energy. In the power plant area, the Supervisory Board authorised the replacement of a turbine in the Theiss power plant. Other approvals covered the submission of a binding offer for the construction of a sewage sludge treatment plant in Germany and the definition of an internal procedure for evaluating transactions concluded as part of ordinary business activities and at standard market conditions in accordance with § 95a of the Austrian Stock Corporation Act. The resignation of one employee representative from EVN's Advisory Committee for Environmental and Social Responsibility was followed by the nomination of a replacement by the Supervisory Board. The Supervisory Board also approved the designation of two staff members as joint proxies, together with the right to conduct real estate transactions in accordance with § 49 (2) of the Austrian Commercial Code.

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 C-Rule 18a 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 91.7% in 2018/19. No member was absent from more than half the Supervisory Board meetings during the past financial year.

Evaluation of the Supervisory Board's activities

In accordance with C-Rule 36, the Supervisory Board carried out another self-evaluation of its activities in 2018/19. 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.

Committees

The Supervisory Board fulfils its responsibilities as a joint decision-making body in cases where individual issues are not delegated to its committees. These 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, each of which includes at least three elected Supervisory Board members and the legally required number of employee representatives.

Working Committee

Name	Function
Bettina Glatz-Kremsner	Chairwoman
Norbert Griesmayr	Member
Willi Stiowicek	Member
Reinhard Meißl	Member
Franz Hemm (until 13.05.2019)	Employee representative
Paul Hofer	Employee representative
Uwe Mitter (as of 14.05.2019)	Employee representative

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.

This committee did not meet during the 2018/19 financial year.

Personnel Committee

Name	Function
Bettina Glatz-Kremsner	Chairwoman; remuneration expert
Norbert Griesmayr	Member
Willi Stiowicek	Member

The Personnel Committee serves as both the Nominating and Remuneration Committee. In its function as the Remuneration Committee, it has one member with knowledge and experience relating to remuneration policies (C-Rule 43). This 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. The related activities cover, in particular, the employment contracts with the Executive Board members, the implementation of C-Rules 27, 27a and 28 and a review of the remuneration policy for the Executive Board members. As the Nominating Committee, it is responsible for nominating replacements for vacant seats on the Executive Board and making recommendations to fill vacant seats on the Supervisory Board.

The Personnel Committee held three meetings in 2018/19. The agendas covered the definition of targets and the verification of the target attainment for the Executive Board's variable remuneration, a review of the variable remuneration scheme and the approval of a report on the remuneration policy for the Executive Board.

Audit Committee

Name	Function
Norbert Griesmayr	Chairman
Bettina Glatz-Kremsner	Member
Willi Stiowicek	Member
Reinhard Meißl	Member; financial expert
Franz Hemm (until 13.05.2019)	Employee representative
Paul Hofer	Employee representative
Uwe Mitter (as of 14.05.2019)	Employee representative

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 L-Rule 40. All members of the Audit Committee are familiar with the sector in which the company operates.

This committee met twice in 2018/19 and dealt with all its assigned responsibilities, above all with preparations for the resolution on the consolidated financial statements (based on IFRS)

and annual financial statements (based on the Austrian Commercial Code) as of 30 September 2018, including the notes, management report and consolidated non-financial report, the corporate governance report and the recommendation for the use of profits as well as the half-year financial statements for 2018/19 including expectations for the full financial year. The Audit Committee also dealt extensively with the internal control, audit, risk and compliance management systems.

In addition, the Audit Committee made a recommendation for the appointment of an auditor for the annual and consolidated financial statements for the 2018/19 financial year and distributed a report by the auditor on the provision of non-audit services.

Remuneration

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 TEUR 0.5 per meeting of the Supervisory Board or a committee. The members of the Supervisory Board are also covered by a directors and officers liability insurance (D&O insurance).

Directors and officers insurance (C-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 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 does not increase the premium.

Supervisory Board remuneration

C-Rule 51, TEUR

	Supervisory Board remuneration	Attendance fees
Bettina Glatz-Kremsner	18.2	5.5
Norbert Griesmayr	13.2	5.5
Willi Stiowicek	13.2	5.0
Philipp Gruber	10.6	2.0
Dieter Lutz	10.6	3.0
Reinhard Meißl	10.6	2.5
Susanne Scharnhorst	10.6	2.5
Angela Stransky	10.6	3.0
Friedrich Zibuschka	10.6	3.0
Johannes Zügel	10.6	3.0

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 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.

The Annual General Meeting votes on the distribution of profits, the release of the members of the Executive Board and Supervisory Board from liability, the selection of the auditor for the annual and consolidated financial statements, and the election of the Supervisory Board members. 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 90th Annual General Meeting of EVN on 17 January 2019 are available on the EVN website (www.evn.at/AGM.aspx).

Measures to support women

(§ 243c (2) no. 2 of the Austrian Commercial Code)

The percentage of women in EVN's workforce equalled 23.0% in 2018/19, and roughly 13% of the positions for managing directors and authorised officers were filled by women. 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, ten 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 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. 3 of the Austrian Commercial Code)

The EVN Group 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.

There are no women on EVN's Executive Board at the present time, and no new appointments were made during 2018/19. New appointments are based on public announcements in accordance with the Austrian law governing personnel appointments.

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 the individual committees – has the necessary expertise required by the company, especially in the business, legal and technical fields.

EVN's Supervisory Board has included five women since 14 May 2019: three shareholder representatives and, since that date, two employee representatives. Bettina Glatz-Kremsner has served as chairwoman of the Supervisory Board since 21 January 2016. The percentage of women equalled 33.3% 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 number of shareholder representatives and the number of 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. At the present time, EVN is required to meet the 30% quota for the Supervisory Board in total (§ 86 (9) of the Austrian Stock Corporation Act).

The members of the Supervisory Board range in age from 40 to 69 years.

Remuneration report

The principles underlying the remuneration policy for the members of the Executive Board and Supervisory Board are explained under the respective sections of this report.

Remuneration for top executives (R-Rule 28a): EVN has implemented a variable remuneration system for top executives which meets the requirements of the ACGC and sets 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:** 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 solidity and stability of the variable remuneration system was further increased by the introduction of multi-year targets and a bonus reserve.
- **Bonus reserve:** 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 were defined in advance for a three-year period up to the 2018/19 financial year, but the measurement period will be extended to four years beginning with 2019/20. The target attainment 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 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 (L-Rule 29): EVN does not have a stock option programme for the members of the Executive Board.

Directors and officers insurance (C-Rule 30): The current D&O insurance covers 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 corporate bodies of other Group companies does not increase the premium.

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: The annual and consolidated financial statements for the 2018/19 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The total fees charged by KPMG in 2018/19 amounted to EUR 1.7m (previous year: EUR 1.6m) and were distributed as follows: 33.4% for auditing services (previous year: 34.1%), 14.3% for audit-related services (previous year: 17.5%), 31.0% for tax consulting services (previous year: 39.8%) and 21.3% for other consulting services (previous year: 8.6%).

Internal audit, risk management and compliance

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 North Macedonia have separate internal audit departments, whereby their 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 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 2018/19 management report.

Capital market compliance

EVN has issued a comprehensive set of rules to prevent the misuse of insider information, which are based on Regulation (EU) No. 596 /2014 (market abuse regulation), the Austrian Stock Corporation Act and capital market law, and the EU's Market

Abuse Directive. Twenty permanent and three ad-hoc areas of EVN's business have been designated as strictly confidential, and the involved employees take part in regular training. 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 2018/19 did not identify any deficiencies.

Directors' dealings (C-Rule 73): No purchases of EVN shares by members of EVN's management or closely related persons (Art. 19 of Regulation (EU) No. 596 /2014 (market abuse regulation)) were reported to the company or to the Austrian Financial Market Authority during 2018/19.

Compliance and 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, forms the basis for all compliance measures at EVN. Corporate compliance management (CCM), a staff department reporting directly to the Executive Board, is responsible for the development, management and improvement of 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 reflects EVN's various stakeholder groups and is designed to support all employees in integrating EVN's values into their everyday 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 2018/19. 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 training sessions on relevant topics are also held for areas exposed to increased risk, during which managers in EVN's international companies completed half-day workshops which included the handling of 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 specific assessment of compliance risks in the individual organisational units forms the basis for the development of compliance measures. In keeping with the adjusted organisational structure of the EVN Group and the ongoing changes in the business environment, a compliance risk assessment was carried out during 2018/19 in individual workshops with managers and technical experts in Austria based on the focal points of the Code of Conduct.

As a means of strengthening and advancing compliance awareness, compliance scenarios were discussed and solution approaches were developed in workshops with managers and staff in the EVN Group. Activities in Austria focused on extensive training in the areas of equal opportunity and conflicts of interest. This content was transferred to management and integrated in the basic training for employees. A compliance readiness check was carried out in Bulgaria, North Macedonia and the international project business of WTE Wassertechnik GmbH to examine the compliance culture and review the actual implementation of the CMS. The awareness of compliance issues, the CMS structures and employees' knowledge formed the content of the analysis.

Compliance is viewed as an internal business partner for all areas of the business. Approaches were therefore developed with all compliance officers to increase customer orientation. They will be implemented to further optimise the CMS service offering and provide even better support for business activities in all areas of the EVN Group.

The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 12 December 2018 in accordance with C-Rule 18a.

EVN's data protection officer, together with the data protection officers in the individual business units, is responsible for coordinating activities to meet the requirements of the EU General Data Protection Regulation. Their joint activities ensure the protection of personal data in accordance with legal regulations.

External evaluation

In accordance with C-Rule 62, compliance with the C-Rules of the ACGC must be evaluated at least every three years by an external institution and the results of this evaluation must be included in the corporate governance report.

The required external evaluation was carried out in 2017/18. It concluded that EVN complied with the C-Rules of the ACGC, 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. A number of rules did not apply to EVN during the evaluation period.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, evaluated the consolidated corporate governance report prepared by EVN in accordance with § 96 (2) of the Austrian Stock Corporation Act and reported on the results of their review to the Executive Board and the Supervisory Board. This report on compliance with the Austrian Corporate Governance Code can be found under www.investor.evn.at.

Maria Enzersdorf, 18 November 2019



Stefan Szyszkowitz
Spokesman of the Executive Board



Franz Mittermayer
Member of the Executive Board