

---

# 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](http://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](http://www.evn.at/Corporate-Governance-Report) and presents an overview in the following section of this report. The R-Rules represent recommendations and do not require the justification of deviations.

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

### Deviations from C-Rules

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

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



#### Peter Layr

Spokesman of the Executive Board

Born in 1953. Doctor of Technical Sciences. Member of the EVN AG Executive Board since 1 October 1999. Appointed spokesman of the Executive Board on 20 January 2011. His term of office expires on 30 September 2019. Peter Layr has executive responsibility for the Generation, Network Infrastructure Austria and Environmental Services segments as well as the following corporate functions: data processing, procurement and purchasing as well as internal auditing. In accordance with the disclosure required by Rule 16 of the ACGC, he holds one Supervisory Board mandate in another company that is not included in the consolidated financial statements of the EVN Group <sup>1)</sup>.

1) Verbund AG, member of the Supervisory Board

The remuneration of the active members of the Executive Board totalled TEUR 1,087.7 in 2015/16 (including compensation in kind and contributions to pension funds).

#### Remuneration of the active Executive Board members

TEUR

	2015/16		
	Fixed remuneration	Variable remuneration	Compensation in kind
Peter Layr	386.5	134.4	13.5
Stefan Szyszkowitz <sup>1)</sup>	360.4	125.3	13.5

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 54,1.



#### Stefan Szyszkowitz

Member of the Executive Board

Born in 1964, Master of Law, Master of Business Administration. Member of the EVN AG Executive Board since 20 January 2011. His term of office ends on 19 January 2021. Executive responsibility for the Energy Trade and Supply and Energy Supply South East Europe segments as well as the following corporate functions: controlling (incl. investor relations), customer relations, finance, accounting, general secretary and corporate affairs, information and communications, human resources as well as administration and construction. In accordance with the disclosure required by Rule 16 of the ACGC, he holds three Supervisory Board mandates in other companies that are not included in the consolidated financial statements of the EVN Group <sup>1)</sup>.

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

The following table provides detailed information on the remuneration of the active members of the Executive Board in 2015/16:

□ For more information on the remuneration of the Executive Board, see the consolidated notes on page 196f

## Supervisory Board

### Members of the Supervisory Board

Name (year of birth)	Date of initial appointment	Function in listed companies and other important functions	Independence Rule 53 <sup>1)</sup>
<b>Shareholder representatives</b>			
Burkhard Hofer (1944) President and Chairman up to 21.01.2016	from 20.01.2011 until 21.01.2016	Member of the Supervisory Board of Flughafen Wien Aktiengesellschaft	No
Bettina Glatz-Kremsner (1962) President and Chairwoman as of 21.01.2016	from 21.01.2016	Member of the Supervisory Board of Casinos Austria Aktiengesellschaft, CEO and Member of the Supervisory Board of several subsidiaries of the Casinos Austria Group, Member of the Supervisory Board of Flughafen Wien Aktiengesellschaft and NÖ Kulturwirtschaft GesmbH	Yes
Stefan Schenker (1946) 1 <sup>st</sup> Vice-Chairman up to 21.01.2016	from 12.12.1996 until 21.01.2016	Independent forestry engineer and agriculturist	No
Norbert Griesmayr (1957) 1 <sup>st</sup> Vice-Chairman as of 21.01.2016	from 12.01.2001	Chairman of the Executive Board of VAV Versicherungs-Aktiengesellschaft, Member of the Executive Board of Privatstiftung zur Verwaltung von Anteilsrechten and Hutschinski Privatstiftung, Member of the Supervisory Board of Collegialität Versicherungsverein Privatstiftung	No
Willi Stiowick (1956) 2 <sup>nd</sup> Vice-Chairman	from 15.01.2009	Head of the Presidential Department of the Magistrate of the Provincial Capital St. Pölten, Member of the Supervisory Board of NÖ Regional GmbH	Yes
Philipp Gruber (1979)	from 21.01.2016	Administrative lawyer	Yes
Thomas Kusterer (1968)	from 17.01.2013	Member of the Executive Board of EnBW Energie Baden-Württemberg AG, Chairman of the Supervisory Board of Verbundnetz Gas AG, Member of the Supervisory Board of Netze BW GmbH	Yes
Dieter Lutz (1954)	from 12.01.2006	Managing Director of the BENDA LUTZ-WERKE GmbH and IMMRE-LUTZ GmbH, Member of the Executive 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
Reinhard Meißl (1959)	from 12.01.2006	Head of the Finance department, Provincial Government of Lower Austria, CEO of NÖ Holding GmbH and NÖ Landes-Beteiligungsholding GmbH	Yes
Bernhard Müller (1973)	from 12.01.2006 until 21.01.2016	Administrative civil servant	Yes
Edwin Rambossek (1943)	from 20.01.2011 until 21.01.2016	Management consultant	Yes
Susanne Scharnhorst (1961)	from 21.01.2016	Management consultant	Yes
Angela Stransky (1960)	from 16.01.2014	Authorised representative of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG and CEO of several companies in the Raiffeisen Group	Yes
Friedrich Zibuschka (1950)	from 21.01.2016	University professor at the Institute for Transport Studies at the University of Natural Resources and Life Sciences, Vienna, General Partner of Zibuschka Regional Consulting OG	Yes
<b>Employee representatives</b>			
Franz Hemm (1955)	from 03.05.1994	Chairman of the Central Works Council of Netz Niederösterreich GmbH, Vice-President of the Lower Austrian Chamber of Labour	
Paul Hofer (1960)	from 01.04.2007	Chairman of the Central Works Council of EVN AG	
Manfred Weinrichter (1961)	from 01.01.2001	Vice-chairman of the Central Works Council of Netz Niederösterreich GmbH	
Friedrich Bußlehner (1962)	from 01.01.2016	Central Works Council	
Monika Fraißl (1973)	from 01.07.2013	Works Council	
Otto Mayer (1959)	from 12.05.2005 until 31.12.2015	Central Works Council	

The terms of office of all Supervisory Board members elected by the Annual General Meeting expire at the end of the Annual General Meeting that will vote on the release from liability for the 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.

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

## 11 Composition of the Supervisory Board committees

### Working Committee

Burkhard Hofer (Chairman until 21.01.2016)  
 Bettina Glatz-Kremsner (Chairman from 21.01.2016)  
 Stefan Schenker (until 21.01.2016)  
 Norbert Griesmayr (from 21.01.2016)  
 Willi Stiowick  
 Reinhard Meißl  
 Franz Hemm  
 Paul Hofer

### Personnel Committee

Burkhard Hofer (Chairman until 21.01.2016)  
 Bettina Glatz-Kremsner (Chairman from 21.01.2016)  
 Stefan Schenker (until 21.01.2016)  
 Norbert Griesmayr (from 21.01.2016)  
 Willi Stiowick

### Audit Committee

Stefan Schenker (Chairman until 21.01.2016)  
 Norbert Griesmayr (Chairman from 21.01.2016)  
 Burkhard Hofer (until 21.01.2016)  
 Bettina Glatz-Kremsner (from 21.01.2016)  
 Willi Stiowick  
 Reinhard Meißl  
 Franz Hemm  
 Paul Hofer

### Remuneration for the members of the Supervisory Board

The Supervisory Board remuneration was set at an annual total amount of TEUR 98 up to 21 January 2016. The president received 15.1%, the two vice-presidents 11.0% each, and each remaining member of the Supervisory Board roughly 9.0% of this total. The attendance fee equalled EUR 190 per meeting.

The 87<sup>th</sup> Annual General Meeting on 21 January 2016 increased the remuneration for the members of the Supervisory Board, effective with the end of this Annual General Meeting, to a total amount of TEUR 118.8 per year and also raised the attendance fee to EUR 500 per meeting. In addition, the Supervisory Board was authorised to allocate this remuneration among its members based on their functions. The Executive Board was authorised to conclude a directors and officers liability insurance (D&O insurance), which also covers the members of the Supervisory Board.

Based on the authorisation of the Annual General Meeting, the Supervisory Board allocated the total remuneration of TEUR 118.8

for its members as follows: the president is to receive TEUR 18.2, the two vice-presidents each TEUR 13.2 and each remaining member of the Supervisory Board TEUR 10.6.

### Remuneration of the Supervisory Board members in 2015/16 (C-Rule 51 of the ACGC)

EUR	Supervisory Board remuneration	Attendance fees
Burkhard Hofer	7,400	950
Bettina Glatz-Kremsner	9,100	3,500
Stefan Schenker	5,400	950
Norbert Griesmayr	11,000	4,070
Willi Stiowick	12,000	4,450
Philipp Gruber	5,300	2,000
Thomas Kusterer	7,500	1,190
Dieter Lutz	9,700	2,380
Reinhard Meißl	9,700	2,570
Bernhard Müller	4,400	380
Edwin Rambossek	4,400	570
Susanne Scharnhorst	5,300	2,000
Angela Stransky	9,700	2,570
Friedrich Zibuschka	5,300	2,000

### 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 company's 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 individual and consolidated financial statements, and the election of the members of the Supervisory Board. Moreover, the Annual General Meeting is entitled to decide on changes in the company by-laws and planned capital measures. The results of voting and the agenda for the 87<sup>th</sup> Annual General Meeting of EVN on 21 January 2016 are available on the EVN website ([www.evn.at/AGM.aspx](http://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 president 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 2016, 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 president and two vice-presidents, 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 77.

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 Executive Board that could lead to a material conflict of interest and therefore influence the member's behaviour. If any such conflicts of interest arise, EVN requires multi-year transition periods in accordance with the ACGC.

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

- may not have any business or personal relations with EVN AG or its Executive Board that constitute a material conflict of interest and are therefore capable of influencing the member's behaviour;
- may not have served as a member of the Executive Board or a top executive of EVN AG or any of its subsidiaries during the past five years;
- may not maintain, or in the previous year did not maintain, any business relations with EVN AG or a subsidiary of EVN AG that are considered material for that member. This also applies to business relations with companies in which the Supervisory Board member holds a significant economic interest, but does not cover appointments to corporate bodies within the EVN Group. The approval of individual transactions by the Supervisory Board in accordance with L-Rule 48 of the ACGC does not automatically lead to qualification as not independent;
- may not have acted as an auditor of EVN AG or owned a share in or worked as an employee of 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) 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;

- the selection of 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) 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 chairman 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.

### New composition of the Supervisory Board

Elections for the entire Supervisory Board were held at the Annual General Meeting on 21 January 2016 since the previous term of office expired. The new Supervisory Board took office at the end of the Annual General Meeting on 21 January 2016 and was elected for the longest period permitted under the Austrian Stock Corporation Act, i.e. up to the Annual General Meeting that will vote on the release from liability for the 2019/20 financial year. The following persons were elected to the Supervisory Board: Bettina Glatz-Kremsner, Philipp Gruber, Susanne Scharnhorst and Friedrich Zibuschka as new members and Norbert Griesmayr, Thomas Kusterer, Dieter Lutz, Reinhard Meißl, Willi Stiwicek and Angela Stransky as re-elected members. The Works Council delegated the following persons as employee representatives to the Supervisory Board: Franz Hemm, Paul Hofer, Friedrich Bußlehner, Monika Fraißl and Manfred Weinrichter. The total number of members on the Supervisory Board remains unchanged.

In the constituent meeting of the Supervisory Board on 21 January 2016, Bettina Glatz-Kremsner was elected president, Norbert Griesmayr first vice-president and Willi Stiwicek second vice-president. The Supervisory Board established an Audit Committee,

a Personnel Committee which simultaneously serves as the Nominating and Remuneration Committee and a Working Committee in accordance with the requirements of the Austrian Stock Corporation Act, the ACGC and the rules of procedure for this body.

The former members Burkhard Hofer, Stefan Schenker, Bernhard Müller and Edwin Rambossek are thanked for their many years of successful work on the Supervisory Board and its committees. Special thanks is given to Burkhard Hofer for his work as president of the Supervisory Board and to Stefan Schenker for his work as vice-president.

#### **Focal points of the Supervisory Board's activities**

The Supervisory Board held five plenary meetings during the reporting year, at which its members fulfilled the tasks and duties required by legal regulations and the company's by-laws. A lecture on the rights and obligations of the Supervisory Board of a stock corporation provided numerous examples of the framework defined by stock corporation, stock exchange and commercial laws for the activities of the Supervisory Board members. A closed conference was also held, in which the Supervisory Board was provided with detailed information on issues surrounding the trends in the energy sector and innovation at EVN.

The Supervisory Board amended its rules of procedure following the enactment of the Statutory Audit Amendment Act in 2016 ("Abschlussprüfungsrechts-Änderungsgesetz 2016") and adapted the responsibilities of the Audit Committee in accordance with § 92 (4a) of the Austrian Stock Corporation Act in the version published in the Statutory Audit Amendment Act of 2016.

The Supervisory Board made the following changes with regard to the Advisory Committee for Environmental and Social Responsibility: the rules of procedure were updated; new members were appointed; Bettina Glatz-Kremsner was elected chairwoman; and the remuneration for the advisory board members was redefined. The composition of the Advisory Committee for Environmental and Social Responsibility is published on the EVN website under: [www.evn.at/Environmental-council](http://www.evn.at/Environmental-council).

Other important decisions by the Supervisory Board included the approval of the annual financial statements and the 2016/17 budget for the EVN Group and, above all, the sale of the shares in EconGas GmbH. 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 for the protection of supply security and the transport of 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. The Supervisory Board also approved an increase in the guarantee lines for energy trading activities in Bulgaria and the strengthening of the equity base at WEEV Beteiligungs GmbH. In addition, the Executive Board provided the Supervisory Board with information on current developments in Croatia and Montenegro.

The Supervisory Board approved the report prepared in accordance with Rule 18a of the Austrian Corporate Governance Code on measures to prevent corruption in the company. In addition, the Supervisory Board examined all possible conflicts of interest and did not identify any inconsistencies.

Average attendance at Supervisory Board meetings equalled approximately 94.7% in 2015/16. One member of the Supervisory Board (Thomas Kusterer) did not personally attend more than half of the Supervisory Board's meetings during the reporting year (Rule 58 ACGC).

#### **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 2015/16 to deal with issues involving the relations between the company and the Executive Board members. Discussions focused on preparations for elections to the Supervisory 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 twice in 2015/16 and dealt with all its assigned responsibilities (see page 80), above all with preparations for the resolution on the annual financial statements for 2014/15 including the use of profits, the appointment and work of the auditor and the half-year financial statements for 2015/16 including expectations for the full financial year. The Audit Committee dealt extensively with the internal control, audit, risk and compliance management system.

#### **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 2015/16, the Supervisory Board carried out another self-evaluation of its activities as required by the ACGC. This evaluation was based on an extensive written questionnaire which was answered by the members of the Supervisory Board.

## Remuneration report

**Remuneration for top executives (Rule 28a 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 frame of the new remuneration rules, one of the primary objectives of the current version of the ACGC is to strengthen the focus of the Executive Board and top managers on sustainability and a long-term orientation. The introduction of multi-year targets and a bonus reserve further increased the solidity and stability of the variable remuneration system.

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

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

changes in the company which have a significant impact on performance.

**Stock options (Rule 29 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 2015/16 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 2014/15 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 a 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.



**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 amounts to 22.6%, while roughly 7.0% of the key management positions are filled by women. There are no women on EVN's Executive Board, and the percentage of women on the Supervisory Board equals 26.7%. The "Women@EVN" programme was introduced 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. Women were appointed to two senior positions during the reporting year. Group-wide, eleven women currently serve as project managers (project manager career path). The percentage of young women in the Group's management development programme was higher than the current share of women in EVN's workforce during the reporting year. EVN has long pursued measures to support the work-life balance of women. These include flexible working time models, the provision of individualised support to women returning after maternity leave, day care during holidays, information events for staff members on parental leave as well as a comprehensive programme of vocational and professional education which is also open to men and women on parental leave. EVN's objective for the medium term is to increase the share of women to a level that mirrors the current educational levels of women in the applicable professional groups.

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

**Directors' Dealings (Rule 73):** No purchases of EVN AG shares by members of EVN's management or closely related persons (Art. 19 of Regulation (EU) 596/2014 on market abuse) were reported to the company or to the Austrian Financial Market Authority during 2015/16.

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

**Auditor's fees:** EVN's annual and consolidated financial statements for the 2015/16 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungs-

gesellschaft, Vienna. The fees charged by KPMG in 2015/16 amounted to EUR 2.1m (previous year: EUR 1.8m) and were distributed as follows: 43.6% for auditing and audit-related services (previous year: 48.2%), 48.1% for tax consulting services (previous year: 48.8%) and 8.3% for other consulting services (previous year: 3.0%).

## 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 Standards for the Professional Practice of Internal Auditing (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 chapter on risk management in the 2015/16 management report.

### Issuer compliance

EVN has developed a comprehensive set of rules to prevent the misuse of insider information, which are based on the regulations defined by the Austrian Stock Corporation and Stock Exchange Acts, the Austrian Issuer Compliance Code and the Directive of the European Parliament on insider dealing and market manipulation. 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 2015/16 did not identify any deficiencies.

### EVN Code of Conduct

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

The Code of Conduct, which was developed in a Group-wide process and updated during 2012, forms the basis for all compliance measures at EVN. Corporate Compliance Management (CCM), a staff department reporting directly to the Executive Board, was established as of 1 October 2012 to develop, manage and improve the Compliance Management System (CMS). The CMS defines a standardised framework for the entire Group which is designed to support employees to behave in an honest and legally compliant manner in everyday business activities.

Activities during the past two financial years focused on employee training. As a first step, EVN managers of all strategic business units were sensitised for this subject in five-hour workshops. The sensitisation of managers was followed by two-hour training sessions for all employees by the responsible compliance officers. The focus was placed on explaining the anonymous whistle-blower system and the subjects customers, capital market and investors, integrity and avoidance of corruption, as well as data protection and confidentiality. Over 8,000 employees and 200 managers have been trained on compliance in ten languages at more than 100 different locations. These activities ensure that all employees and managers in the EVN Group are well equipped to deal with the challenges resulting from adherence to the compliance rules.

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.

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

Training courses on special subjects provide additional information for areas exposed to increased risk. In addition to content in the EVN Intranet, e-learning tools were also developed for employees. These tools have been implemented in all strategic business units and Group companies in Austria, in the WTE Group, at EVN Bulgaria and at EVN Croatia. The introduction of this content at EVN Macedonia has also started. Special content is offered for managing directors, infrastructure project managers and sales employees. A communication plan based on the specific target groups anchors and ensures the further development of awareness for compliance issues in all Group companies in Austria and abroad.

Internal processes that are exposed to particular risks from a compliance standpoint were equipped with so-called compliance controls and technically integrated in EVN's process management system during 2015/16. These controls are ongoing and thereby provide additional security for adherence to the Group's compliance rules.

Activities during the reporting year also included the intensification of business partner reviews. In line with the respective risks, the business partners of the EVN Group in Austria and the WTE Group are audited on compliance-relevant issues with the support of an external service provider. Any sensitive information revealed by this screening leads to the implementation of risk-minimising measures. Preparations are currently underway to extend this process to other Group companies.

The previous implementation of the compliance management system was tested in a survey of managers and employees. A compliance dialogue on future compliance challenges was also carried out with managers. The analysis and appraisal of the results of these internal analyses will be followed by the further optimisation of EVN's compliance management system to meet these future challenges.

The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 9 December 2015 in accordance with Rule 18a of the ACGC.

In order to anchor data protection in the EVN Group, a data protection officer was appointed in Austria. This position is assigned to the Corporate Compliance Management Department and thereby reports directly to the Executive Board. The officer is independent in the exercise of his function and situated outside business processes. He will develop, direct and improve a cross-functional, Group-wide data protection management system. In

Maria Enzersdorf, 17 November 2016



**Peter Layr**  
Spokesman of the Executive Board



**Stefan Szyszkowitz**  
Member of the Executive Board

this way, EVN will meet and effectively address the challenges related to the EU Data Protection Regulation on a timely basis.

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

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, has audited and reported on the corporate governance report of EVN AG, Maria Enzersdorf, 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](http://www.investor.evn.at).