

Remuneration policy for the members of the Executive Board of EVN AG

1 Definition of principles for remuneration policy

The following remuneration principles (remuneration policy) for the members of the Executive Board of EVN AG (EVN) were based on a proposal by the Personnel Committee in its function as a remuneration committee in accordance with C-Rule 43 of the Austrian Corporate Governance Code (ACGC) and approved by a resolution of the Supervisory Board on 11 December 2019. They are intended for application after their presentation to EVN's 91st Annual General Meeting

In accordance with § 98a in connection with § 78b (1) of the Austrian Stock Corporation Act, the remuneration policy must be presented to the Annual General Meeting for voting at least every fourth financial year.

2 Objective

The remuneration policy is intended to ensure the following: that the total remuneration for the members of the Executive Board is appropriate in relation to the position of the Company and to the customary remuneration in comparable companies; that it creates incentives to promote the sustainable development of the Company; and that it supports the corporate strategy and the Company's long-term development.

The remuneration for the members of the Executive Board must be sufficiently attractive to interest suitably qualified persons in activities in a listed, international company with a diversified investment portfolio. Consequently, the remuneration must be competitive and in line with market benchmarks.

The remuneration reflects the duties arising from the overall responsibility of the Executive Board but is differentiated according to the specific responsibilities of the individual Executive Board members as determined by the assignment of functions. Other key factors include the length of service and, where appropriate, the assumption of a function as spokesman or chairman of the Executive Board.

The remuneration policy creates incentives for the members of the Executive Board to actively develop and pursue the corporate strategy, to safeguard the Company's sustainable development over the long-term and to avoid disproportionately high risks. The determination of specific performance criteria must also ensure that excessive risk-taking and an overemphasis on short-term profits is avoided. Ambitious goals must, however, also be set to create an incentive for exceptional performance. The overriding goal is the positive, long-term development of the Company.

The implementation of EVN's strategy flows into the definition of targets and the evaluation of target attainment for the financial as well as the non-financial (individual) performance criteria. Both the definition of targets and the evaluation of target attainment include a focus on the long-term development of the Company.

3 Remuneration components

The members of the Executive Boards receive the following remuneration components:

- Fixed remuneration components which are independent of performance
- Variable remuneration components based on the fulfilment of financial and non-financial, annual and multi-year performance criteria

The variable remuneration components equal 30% of the base salary per financial year when the target attainment reaches 100%. If the financial targets are exceeded, the variable remuneration is limited to 51% of the base salary.

Financial benefits received by an Executive Board member for the exercise of corporate functions in a group company or associate and in statutory or voluntary interest groups to which the Company belongs must be forwarded to the Company.

4 Fixed remuneration components

Fixed remuneration comprises the base salary, benefits in kind and ancillary benefits as well as expenses for post-employment benefits.

4.1 Base salary

The base salary is paid in fourteen annual instalments.

Various factors are included in the measurement of the base salary: Above all, this remuneration component reflects the principal acceptance of a position on the Executive Board and the related overall responsibility of the individual Executive Board members. Furthermore, the base salary is aligned with the customary market-based remuneration of executive board members.

This market comparison – which should include, in particular, other listed Austrian companies – must also take the specific characteristics of the EVN Group into account. These characteristics can be derived, above all, from the Group's regional markets, business fields and portfolio as well as specific corporate indicators.

In consideration of these requirements, the fixed remuneration must ensure competitive salaries which allow the Company to recruit and retain suitable managers.

4.2 Benefits in kind and ancillary benefits

The benefits in kind and ancillary benefits include the following components:

4.2.1 Accident insurance

The company can conclude accident insurance on behalf of the Executive Board members or a third party named by an Executive Board member which covers death, invalidity and accidents. The related premiums are to be carried by the Company.

4.2.2 Collective supplementary health insurance

The Executive Board members can be included in the Company's collective supplementary health insurance plan. The related premiums are to be carried by the Company.

4.2.3 D&O insurance

The Executive Board members can be provided with D&O insurance (directors and officers liability insurance) and legal protection insurance with adequate risk coverage. The related premiums are to be carried by the Company.

4.2.4 Company car

The Company can provide each Executive Board member with a passenger car in the upper mid-size category, which can also be used privately, for the duration of his employment contract. A chauffeur can be assigned for business-related trips.

The Company will arrange for legally required liability insurance, comprehensive insurance and passenger insurance with appropriate coverage for this vehicle.

The target value for the use of a newly purchased company car is 150,000 km or a period of four years.

4.3 Post-employment benefits

The Executive Board members can be provided with a defined contribution pension scheme within the framework of an inter-company pension fund. The Company's contributions to the inter-company pension fund may not exceed 20% of the base salary.

Pension commitments arising from previous activities in the EVN Group can be transferred to the Executive Board member's employment contract.

5 Variable remuneration components

5.1 General information

The members of the Executive Board are entitled to receive a variable remuneration component. It is dependent on EVN's economic development as well as the attainment of individually agreed targets.

The variable remuneration is based on the following transparent criteria and weightings:

- Increase in Group economic value added (Δ Group EVA) (30%)
- Average contribution to Group cash flow (40%)
- Individually agreed targets (30%)

An interval is defined for each target which measures the ratio between over- or under-attainment and the respective increase or reduction in the payment of the variable remuneration component.

Target corridors ranging from 0% bis 200% were defined for the quantitative performance criteria " Δ Group EVA" and "average contribution to Group cash flow"; the individually agreed targets have corridors ranging from 0% to 100%.

5.2 Performance criteria

5.2.1 Δ Group EVA

The EVN Group has used the indicator "EVA" (Economic Value Added®, Stern Stewart & Co.), respectively "operating return" in its reporting since the introduction of value-oriented management indicators. This indicator provides information on operating earnings in relation to the cost of capital and, in this way, creates an incentive to increase the Company's long-term earning power.

Group EVA shows the extent to which operating results before interest expense and after the deduction of income tax (= NOPAT) earn the cost of average capital employed (= WACC x average capital employed). The starting point is the annual increase in EVA, which is expressed as “ Δ EVA”, and the calculation is based on the consolidated financial statements according to IFRS.

5.2.2 Average contribution to Group cash flow

A second quantitative indicator “average contribution to Group cash flow” is calculated to give adequate weighting to liquidity and financial strength and to support compliance with the strategic financial goals related to EVN’s rating classification and its investment and dividend capacity. The target is derived from the percentage rate required to meet the strategic financial goals, based on average net debt for the two preceding financial years, and is updated annually.

The average contribution to Group cash flow concentrates on the major components which can be influenced at the operational level after tax payments and working capital. It shows the cash flow generated by the Group before investing and financing activities. In order to equalise the effect of fluctuations in working capital as of the balance sheet date, the average change in working capital from preceding quarters is used. The calculation is based on the consolidated financial statements according to IFRS.

Impairment losses or revaluations to assets as the result of impairment testing or similar circumstances lead to the adjustment of the above-mentioned indicators determined according to the IFRS consolidated financial statements. Changes in the EVA resulting from a change in the WACC are neutralised. No other adjustments are permitted.

5.2.3 Individually agreed targets

The personal performance of the individual Executive Board members is measured according to individually agreed targets and included in the calculation of the variable remuneration component. The intention here is to create incentives that reflect the specific responsibilities of the individual Executive Board members in line with their assigned functions and, additionally, to integrate sustainable non-financial performance criteria in the variable remuneration.

These targets support EVN’s current business and strategic orientation. They cover financial as well as non-financial criteria, together with criteria related to the Company’s social responsibility, and also include ecological and societal factors. These performance criteria are defined to support the Company’s positive long-term development and to avoid a concentration on exclusively short-term effects.

5.3 Definition of targets

In order to decouple the annual corporate planning process from the variable remuneration scheme and to establish a medium-term focus on strategic goals and opportunities, the Supervisory Board sets the financial targets in advance for a period of four years.

The targets are derived from available corporate data and information as well as external sources, e.g. peer comparisons or capital market and rating evaluations.

The individual targets are defined annually before the start of a financial year by the Personnel Committee in its function as a remuneration committee.

5.4 Methods for determining target attainment

The Personnel Committee in its function as a remuneration committee evaluates the result of business activities after the end of the financial year and establishes the final target attainment for both the financial and non-financial targets.

The related decisions are taken each year at a meeting of the Personnel Committee which includes the members of the Executive Board. The Executive Board submits documents, in particular a standardised evaluation form, which show the measures undertaken to meet the non-financial targets. Based on this information, the Personnel Committee determines the scope of target attainment and informs the members of the Executive Board and the corporate department which is responsible for settlement.

5.5 Payment of variable remuneration components

5.5.1 General information

The variable remuneration components are initially paid on account in the form of monthly instalments together with the current fixed remuneration components. These instalments are based on 80% under the assumption of 100% target attainment.

The final payment in accordance with the target attainment defined by the Personnel Committee in its function as a remuneration committee follows the so-called "bonus reserve" mechanism (see Point 5.5.2). The payments on account are deducted from the entitlement to variable remuneration, and the remainder is transferred to the Executive Board member in equal instalments from January to June of the following financial year. If the entitlement is lower than the payments on account, the Executive Board member must refund the difference in equal instalments from January to June of the following financial year.

If the consolidated financial statements for a particular financial year show negative profit, the payment of the bonus amount which exceeds the payments on account is suspended and added to the bonus reserve.

5.5.2 Bonus reserve

The variable remuneration components which are based on financial targets are paid from a so-called "bonus reserve". This procedure protects the stability of the variable remuneration system.

The basis for the bonus reserve is formed by a payment mechanism which converts the bonus from the attainment of financial targets in a specific period into an annual pro-rata bonus. Accordingly, 50% of the bonus reserve are paid out in the first year after the end of the financial year in which the entitlement arises, and the remaining 50% are carried forward to the following period(s). This creates a multi-year perspective and, at the same time, establishes a link between the variable remuneration and the Company's long-term development. Consecutive years are linked by carrying the outstanding portion of the variable remuneration forward to the next period as an opening account balance.

The annual opening account balance of the bonus reserve is based on the attainment of financial targets for the current financial year and the ending balance from the previous financial year. A virtual opening account balance is used in the first year, which is sufficient to cover full payment of the variable remuneration for financial targets based on 100% target attainment. A payment equal to 50% of the opening account balance of the bonus reserve is distributed each year, and the remainder is carried forward to the next year.

5.6 Possibility to demand repayment of variable remuneration components

The repayment of variable remuneration components (clawback) is possible in agreement with C-Rule 27 of the ACGC if these payments were determined and made on the basis of obviously false data. The repayment can be made in up to 12 monthly instalments.

6 Remuneration and employment conditions for employees

In order to ensure an appropriate balance between the remuneration for the members of the Executive Board and the remuneration and employment conditions for the Company's workforce, the monthly base

salary for an Executive Board member should not exceed 20-times the average monthly base salary for the EVN employees in Austria (full-time basis).

7 Term of office and termination of the contracts with the Executive Board members

7.1 Term of office and termination

The duration of the contracts (employment contracts) with the Executive Board members generally equals five years. In any event, it is linked to the term of office.

The employment contract can be terminated immediately by the Company if a member of the Executive Board is dismissed for misconduct which is considered a ground for termination under the analogous application of the provisions of § 27 of the Austrian Salaried Employees Act.

If the dismissal is based on another material reason, the Company is entitled to terminate the employment contract in keeping with a six-month notice period at the end of each calendar quarter.

7.2 Consequences of termination

If the Supervisory Board fails to inform a member of the Executive Board at least nine months prior to the end of his term of office that his appointment will not be renewed, the previous remuneration can be granted for a maximum of nine months after the end of the Executive Board appointment.

If the employment contract ends during a financial year, the Executive Board member is entitled to remuneration for the current month. This does not apply in the event of justified termination of the employment contract due to the fault of the Executive Board member or premature, unjustified resignation. The departing Executive Board member is entitled to receive the variable remuneration component up to the end of the month in which he leaves the company – respectively, in the event of justified termination of the employment contract due to the fault of the Executive Board member or premature, unjustified resignation, up to the final day of employment under the assumption of 100% target attainment pro rata temporis. The accumulated bonus reserve is also due and payable in full on the exit date. The virtual opening account balance is a mathematical factor and is not paid out.

The Executive Board members are covered by an employee severance compensation and pension scheme in accordance with Austrian law (“Betriebliche Mitarbeiter- und Selbständigenvorsorgegesetz”). The Company is required to make contributions to the employee severance compensation and pension fund at the amount defined by legal regulations, in line with the base salary including special payments. There are no other contractual agreements.

In cases where an Executive Board member earned severance compensation entitlements from employment with the Company prior to his appointment, he can be granted a claim to severance compensation at the end of his employment contract. The amount of this severance compensation is based on the previously concluded employment contract and any interim indexing under collective agreements.

In accordance with C-Rule 27a of the ACGC, claims for compensation in the event of premature dismissal are limited to a maximum of 24 months’ remuneration or, if shorter, to the remaining term of the employment contract.

Information on pension expenses is provided under Point 4.3.

8 Procedure for remuneration policy

This remuneration policy was approved through a resolution of the Supervisory Board on 11 December 2019 and will be presented to EVN’s 91st Annual General Meeting for voting.

The Executive Board reports each year – if necessary, together with additional persons – on remuneration to the Personnel Committee, which can initiate a revision of the remuneration policy if required.

The Personnel Committee consists primarily of independent members of the Supervisory Board. They are required to report any conflicts of interest on their own initiative and must abstain from voting in such cases.

At least every fourth financial year, the Personnel Committee – if necessary, together with internal and external experts – reviews the remuneration policy and evaluates whether a revision is necessary.

Following this review and evaluation, the Personnel Committee must make a recommendation on the remuneration policy to the Supervisory Board. The same applies to premature, material changes in the remuneration policy.

The Supervisory Board must then pass a resolution on the remuneration policy and submit an appropriate proposal to the Annual General Meeting.

The remuneration policy must be presented to the Annual General Meeting for voting.

9 Temporary deviation from the remuneration policy

Deviation from this remuneration policy is only possible under exceptional circumstances and for a temporary period and may only involve Points 4.1 and 5. The Annual General Meeting must be informed of any deviations, together with an explanation of the underlying exceptional circumstances.

The following, in particular, are considered to be exceptional circumstances:

- Significant changes in the legal or regulatory environment
- A change in the basis for the evaluation of a non-financial performance criterion which prevents the determination of target attainment
- The unforeseen resignation or dismissal of an Executive Board member for good cause when the selection of a comparable successor does not appear possible within the framework of this remuneration policy
- Significant economic upheavals or changes, respectively war-like or terrorist incidents

In such cases, the Personnel Committee or the Supervisory Board must pass a resolution as to whether an exceptional circumstance exists and deviation from the remuneration policy is necessary to protect the Company's long-term development or profitability. If the Personnel Committee or Supervisory Board determines this is the case, it can enter into correspondingly different contractual obligations of the Company towards the Executive Board members.

10 Major changes in the remuneration policy

Since the current remuneration policy was approved for the first time, no information is provided on this point.