

Corporate Governance Report 2016

PURSUANT TO SECTIONS 243B AND 267A OF THE AUSTRIAN COMMERCIAL CODE

Austrian Post is a joint stock company under Austrian law and is publicly listed on the Vienna Stock Exchange. The Austrian Stock Corporation Act, Austrian Capital Market Act, Austrian Commercial Code, regulations on co-determination, the Articles of Association and by-laws for corporate bodies of the company together with the Austrian Corporate Governance Code (ÖCGK) comprise the legal framework for corporate governance at Austrian Post.

Due to a change in the Austrian Commercial Code during the reporting year, a publicly listed parent company such as Österreichische Post AG is required to prepare a Corporate Governance Report on a consolidated basis (Section 267a Austrian Commercial Code). The necessary disclosures were integrated in the appropriate places of the present Corporate Governance Report.

1 — CORPORATE GOVERNANCE CODE

The Austrian Corporate Government Code is a set of rules complementing Austrian stock corporation and capital market regulations on the basis of recommendations and suggestions with respect to good corporate governance. The active implementation of the stipulations contained in the code are designed to ensure the responsible business management and control of a company oriented to the sustainable and long-term creation of value. Moreover, implementation of the code guarantees a high level of transparency for the benefit of all stakeholders, including investors, customers and employees. The main underlying principles in the code such as equal treatment of all shareholders, transparency, the

independence of the Supervisory Board, open communication between the Supervisory and Management Boards, avoiding of conflicts of interest among corporate bodies and an efficient monitoring and oversight by the Supervisory Board and auditors are all designed to strengthen investor confidence in the company and Austria as a financial hub. Austrian Post is unreservedly committed to complying with the current and valid version of the Austrian Corporate Governance Code, and considers maintaining and further developing the company's high internal standards as a top priority. In 2016, Austrian Post complied with all rules and recommendations of the Austrian Corporate Governance Code.

The Austrian Corporate Governance Code is publicly available on the Austrian Post website at www.post.at/ir or on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

In accordance with Rule 62 of the Austrian Corporate Governance Code, Austrian Post regularly submits to an external evaluation of its compliance with the code and the accuracy of its related public reporting. The last appraisal carried out for the 2015 financial year by the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, did not discover any facts which contradict the company's public declarations with respect to its adherence to the Austrian Corporate Governance Code. Austrian Post's adherence to the Austrian Corporate Governance Code with respect to the auditor was evaluated and confirmed by the law firm CMS Reich-Rohrwig Hainz. The next external evaluation is scheduled to be carried out for the 2017 financial year.

— GROUP AUDITING, RISK MANAGEMENT AND COMPLIANCE

The Internal Audit department at Austrian Post performs all important controlling and monitoring functions in the Group as part of an integrated overall system. This department promotes transparency, supplies facts for decision-making processes, presents solutions and promotes their sustainable implementation.

Risk management at Austrian Post enables the Group-wide identification and analysis of risks on the basis of strategic and operational targets. The proper functioning and suitability are evaluated by the auditor pursuant to C-Rule 83 of the Austrian Corporate Governance Code.

Austrian Post's Group-wide Internal Control System (ICS) makes use of process-integrated measures, mechanisms and controls in its organisation and technical processes. The ICS at Austrian Post is based on existing risk management and process structures in the company, encompasses the internal control activities relating to major risks and monitors the internal control implementation process. The Internal Audit department carries out an ex post examination of compliance with relevant regulations. Its findings serve as the basis for determining the effectiveness of the integrated control process and mechanisms.

In addition to Risk Management and Group Auditing, Compliance Comprises the third pillar of corporate governance. Values such as honesty, predictability and transparency are important yardsticks guiding the business practices of Austrian Post. For this reason, a Compliance Management System (CMS) was already launched in the year 2010 and continuously expanded since then. The aim is to sustainably consolidate the established Group-wide Compliance culture in order to avoid liability risks and other legal disadvantages which could negatively impact the company and its employees. The conviction underlying these initiatives is that Compliance makes a value-added contribution to the development of the company. The Code of Conduct and Ethics of Austrian Post serves as the basis for the Compliance Management System. It provides the framework and guidelines for relations with stakeholders and the interactions of employees with each other.

The focal points of Austrian Post's Compliance activities in 2016 were once again "Business Compliance" and "Capital market Compliance". As resolved back in 2015, the topic of "Antitrust Compliance" was added to the company's Compliance priorities. The aim is to raise awareness of the need for Compliance, especially in dealing with competitors. In order to achieve this target, a training manual for responsible employees was developed and corresponding training measures were launched. With respect to Capital market Compliance, the Compliance team mainly focused on the required changes in the Compliance Management System of Austrian Post related to the coming into effect of

the European Commission's Market Abuse Regulation. More specifically, the company had to revise and approve its capital market compliance guidelines. A series of classroom-based trainings were launched to inform members of confidentiality areas, the e-learning tool and the infomail series on this issue were adapted to the new regulations, and a whistleblowing system for capital market violations was initiated. With regard to business compliance, the Compliance team undertook an evaluation after one year of experience with the new guidelines on sponsoring and donations and incorporated its conclusions in the guidelines. The vendor integrity check was also evaluated in 2016, and a new concept for it was subsequently developed. The compliance risk assessment was successfully carried out in 2016 in a new form.

In 2016, Austrian Post continued to press ahead with the ongoing integration of the Compliance organisation in its subsidiaries, especially in South East and Eastern Europe. Here the company expanded its agenda to not only focus on business and capital market compliance but antitrust compliance as well. In order to achieve the objective of more closely integrating the subsidiaries, the "International Compliance Day" was held in 2016 at Austrian Post headquarters for the fourth time. Compliance officers from Austria and from Austrian Post's international subsidiaries as well as top management representatives took part in the event. The focal point on the first day was the intensified cooperation and improved links of the subsidiaries to the parent company. The second day of the event included specialist lectures on the issues of compliance with competition law and data protection regulations as well as a guest lecture by the compliance manager of a publicly listed company. On the spot risk discussions were held with the CEE/SEE subsidiaries to facilitate the integration process.

— ANNUAL AUDIT

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the Annual General Meeting held on April 14, 2016, to serve as the auditor of the annual financial statements and consolidated annual financial statements of Austrian Post for the 2016 financial year in accordance with the recommendation submitted by the Supervisory Board. Expenses amounted to EUR 98,000 (excl. VAT) for the audit of the individual and consolidated financial statements of Austrian Post and EUR 132,700 (excl. VAT) for the audits of Austrian Post subsidiaries. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was paid a total of EUR 61,175 (excl. VAT) for assurance and other services.

— SHAREHOLDERS

The share capital of Austrian Post is divided into a total of 67,552,638 non-par value shares. There are no voting rights restrictions or syndicate agreements applying to Austrian Post of which the company is aware. The principle of "one share – one vote" applies without exception. The Republic of Austria holds a 52.85% stake in Austrian Post via the Austrian privatisation and industrial holding company Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB).

Austrian Post attaches particular importance to ensuring that all shareholders are treated equally and provided with comprehensive information. Above and beyond the legally binding reporting and disclosure requirements (i.e. annual and quarterly reports, ad-hoc announcements, publication of directors' dealings), Austrian Post regularly reports about ongoing developments at the company by means of press releases as well as analyst, press and shareholder conferences. All reports and releases as well as key presentations held at these conferences are available at www.post.at/ir. Austrian Post published six ad-hoc announcements in 2016, which, along with the shareholder structure, can be accessed online at www.post.at/ir.

— MEASURES TO PROMOTE THE CAREER ADVANCEMENT OF WOMEN

Austrian Post Group aims to continually increase the share of women holding management positions, in order to ensure that they equally share responsibility and decision-making authority

in the company. A total of four women are represented on the Supervisory Board of Austrian Post, comprising 50 % of the Supervisory Board members elected by the Annual General Meeting. Since April 15, 2015, Edith Hlawati und Edeltraud Stiftinger have served as Chairwoman and Deputy Chairwoman respectively of the Supervisory Board of Austrian Post.

Equal opportunity at work and equal treatment of employees without distinction based on gender are a matter of course at Austrian Post. Particular attention is paid to pursuing a strict equal opportunity policy in the recruiting process. Women have been promoted to management jobs in numerous business areas, and held about 23 % of senior management positions at Austrian Post in 2016. On balance, women comprise roughly 29 % of the company's workforce.

Austrian Post aims to position itself as an attractive employer for women. For this reason, measures are taken to ensure the compatibility of career and family and create corresponding career opportunities. In 2016, Austrian Post was once again given the basic "Career and Family Certificate" valid until 2019 by the Austrian Federal Ministry of Families and Youth. Offerings such as flexible working time models, company kindergarten at corporate headquarters, inclusion of employees on leave in the internal information network, a comprehensive information platform on issues such as maternity leave and child care on the Austrian Post Intranet round off the package of measures carried out at Austrian Post with respect to the issue of career and family.

Measures also start a step earlier by targeting female pupils. The mail and parcel logistics centre and as well as the goods transport operations in Vienna-Inzersdorf invited girls to the Vienna Daughter's Day for the ninth time. The objective of this event is to give young girls aged 11 to 16 an insight into technical fields of work before they make a career choice or educational decision as a means of increasing the proportion of women working in these fields.

2 — COMPOSITION OF THE MANAGEMENT BOARD

The Management Board of Austrian Post consists of four members. Information on the individual Management Board members including their professional careers and current areas of responsibility is presented below. The division of responsibilities on the Management Board is defined in the by-laws adopted by the Supervisory Board and amended most recently in 2015. The members of the Management Board do not hold any management or supervisory positions in Austrian Post's main operative subsidiaries.

Name (year of birth)	Position	First appointed	Current term of office expires	Additional functions (as at Dec. 31, 2016)
 Georg Pölzl (1957)	Chairman of the Management Board, Chief Executive Officer	Oct. 1, 2009	Sept. 30, 2019	
 Walter Oblin (1969)	Member of the Management Board	July 1, 2012	June 30, 2020 ¹	Supervisory Board member of BAWAG Holding GmbH and BAWAG P.S.K.
 Walter Hitziger (1960)	Member of the Management Board	May 1, 2004	Dec. 31, 2021 ¹	Supervisory Board member of BAWAG P.S.K. Versicherung AG
 Peter Umundum (1964)	Member of the Management Board	April 1, 2011	March 31, 2021 ¹	

¹ Taking account of the extension option

— PROFESSIONAL CAREER AND AREAS OF RESPONSIBILITY

GEORG PÖLZL

Georg Pölzl studied and graduated from Montan University of Natural Resources and Applied Life Sciences Austria in Leoben. His professional career started as a corporate consultant for McKinsey & Company. Subsequently, he was appointed to the Management Board of the mechanical engineering and plant building company Binder+Co AG. He then served as Managing Director of T-Mobile Austria, Vienna, for a total of nine years before moving to Germany to assume the position as special deputy of the Management Board of Deutsche Telekom with responsibility for implementing the successful restructuring programme at the company. He served as the Spokesman of the Management Board of T-Mobile Germany before being appointed Chairman of the Management Board of Austrian Post in 2009. His current term of office expires on September 30, 2019.

In his capacity as Chief Executive Officer, Georg Pölzl is responsible for Strategy and Group Development, Corporate Communications, Investor Relations, Group Auditing and Compliance. His responsibilities also include Online & E-Commerce Innovation Management, Human Resources Management as well as End Customer Initiatives and End Customer Service. In October 2014, Georg Pölzl was named Professor for Strategic Company Management at the School of Business, Economics and Social Science at the University of Graz.

WALTER OBLIN

Walter Oblin concluded his studies in mechanical engineering and business administration at the Graz University of Technology and also holds a Master of Science in Industrial Administration from Purdue University in Indiana (USA). He worked at McKinsey & Company in Vienna during the period 1994 to 2008, and was appointed to be a managing partner and member of the Management Board in the year 2000. During this time, he primarily consulted international transport, infrastructure and logistics companies in dealing with strategic and operational changes. Following a managing board position with the German technology company SorTech AG, he joined Austrian Post in October 2009, where he was responsible for Strategy and Group Development until his appointment to the Management Board. His current term of office expires on June 30, 2020.

Walter Oblin has management responsibility for Group Accounting, Finance of the Mail & Branch Network and Parcel & Logistics Divisions, Corporate Controlling and Treasury. In addition, he is also in charge of Group IT, Group Procurement and Fleet, Legal and Corporate Real Estate.

WALTER HITZIGER

Walter Hitziger studied industrial engineering and business administration at the Graz University of Technology before working for the beer company Steirerbrau AG – Steirische Brauindustrie AG (Gösser/Puntigamer) with responsibility for distribution logistics. He served as division manager for consulting at both Agiplan Planungsgesellschaft and Econsult Betriebsberatungsgesellschaft in Vienna in the years 1990–1997. From 1997 until his initial appointment to the Management Board of Austrian Post in May 2004, Walter Hitziger served as a member of the Management Board of bauMax Handels AG with responsibility for procurement and logistics. His current term of office expires on December 31, 2021.

Walter Hitziger is Director of the Mail & Branch Network Division and thus has management responsibility for six business areas of the Group – from the acceptance, sorting and delivery of letter mail and direct mail items to the branch network, value added mail services and online services. On an international level, Walter Hitziger is responsible for the mail activities of Austrian Post in the countries of South East and Eastern Europe, as well as for Austrian Post International Deutschland GmbH based in Bonn, Germany.

PETER UMUNDUM

Following degree studies in computer science at the Graz University of Technology, Peter Umundum commenced his professional career in 1988 at Steirerbrau AG, where he assumed managerial responsibility for the Organisation and Computing Department. In 1994, he moved to Styria Medien AG as the head of IT and just two years later was appointed as the CEO of the subsidiary Media Consult Austria GmbH. In 1999, he acted as one of the founders and CEO of redmail. In 2001,

Peter Umundum became managing director of the daily newspaper “Die Presse” and three years later he joined the executive management of the daily newspaper “Kleine Zeitung”. In 2005, he accepted a position at Austrian Post, where he served as a managing director of the Mail Division with responsibility for production and logistics as well as domestic and international subsidiaries. His current term of office expires on March 31, 2021.

Peter Umundum has management responsibility for the Parcel & Logistics Division, which operates its own subsidiaries in nine European countries. Moreover, he is also Chairman of the Supervisory Board of the European transport network EURODIS.

3 — COMPOSITION OF THE SUPERVISORY BOARD

As at December 31, 2016, the Supervisory Board consists of a total of twelve members i.e. eight shareholder representatives elected by the Annual General Meeting and four employee representatives elected by the Central Works Council of Austrian Post. No changes in the composition of the Supervisory Board took place in the course of the 2016 financial year.

Name (year of birth)	Nationality	Main job	First appointed	Current term of office expires	Mandates in publicly listed companies (as at Dec. 31, 2016)
SHAREHOLDER REPRESENTATIVES					
 Edith Hlawati (1957) Chairwoman	Austrian	Lawyer	April 26, 2007	Annual General Meeting 2018	
 Edeltraud Stiftinger (1966) Deputy Chairwoman	Austrian	Managing Director	April 15, 2015	Annual General Meeting 2020	
 Erich Hampel (1951)	Austrian	Management consultant	April 22, 2010	Annual General Meeting 2018	Zagrebačka banka d.d. (Croatia)
 Peter E. Kruse (1950)	Swiss	Management consultant	April 24, 2014	Annual General Meeting 2018	
 Chris E. Muntwyler (1952)	Swiss	CEO of Conlogic AG (Switzerland)	April 22, 2010	Annual General Meeting 2018	Panalpina World Transport AG (Switzerland), National Express Group PLC (UK)
 Markus Pichler (1968)	Austrian	Head of Non Energy Drink Beverages at Red Bull GmbH	April 28, 2011	Annual General Meeting 2018	
 Elisabeth Stadler (1961)	Austrian	Chairwoman of the Managing Board and General Manager, Vienna Insurance Group AG	April 28, 2011	Annual General Meeting 2018	
 Herta Stockbauer (1960) Finanzexpertin	Austrian	Chairwoman of the Managing Board, BKS Bank AG	April 15, 2015	Annual General Meeting 2020	SW Umwelttechnik Stoiser & Wolschner AG, Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft

Name (year of birth)	Nationality	Main job	First appointed	Current term of office expires	Mandates in publicly listed companies (as at Dec. 31, 2016)
EMPLOYEE REPRESENTATIVES					
 Helmut Köstinger (1957)	Austrian	Central Works Council (Chairman)	April 14, 2005		
 Martin Palensky (1963)	Austrian	Central Works Council (Deputy Chairman)	Feb. 22, 2002		
 Andreas Schieder (1976)	Austrian	Central Works Council	Oct. 19, 2010		
 Manfred Wiedner (1963)	Austrian	Central Works Council	March 3, 1999		

— DIVERSITY

In selecting members of the Supervisory Board, the main focus is on selecting individuals providing the relevant qualifications and personal competence. The Supervisory Board continuously puts a strong emphasis on these requirements in its proposals for the election of new Supervisory Board members.

Generally speaking, the Supervisory Board aims to optimally fulfil its supervisory, monitoring and advisory responsibilities based on the diversity of its members. The ages of the Supervisory Board members range from 40 to 66. Two members are not Austrian nationals. 50 % of the shareholder representatives elected by the Annual General Meeting are women, which comprises an above-average figure in Austrian comparison.

— INDEPENDENCE

In accordance with C-Rule 53 of the Austrian Corporate Governance Code, the Supervisory Board of Austrian Post has defined the following criteria to determine the independence of Supervisory Board members, which are compliant with Appendix 1 of the January 2015 version of the Austrian Corporate Governance Code:

1. The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.
2. The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest, but not to carrying out functions on corporate bodies. The approval of individual transactions by the Supervisory Board according to L-Rule 48 does not automatically mean the person is qualified as being not independent.
3. The Supervisory Board member shall not have been an auditor of the company, have owned a share in the auditing company or have worked there as an employee over the past three years.
4. The Supervisory Board shall not be a member of the Management Board of another company in which a Management Board member of this company is a Supervisory Board member.
5. The Supervisory Board member shall not serve as a member of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with a stake in the company or who represent such a shareholder's interests.

6. The Supervisory Board member shall not be a close relative (i. e. direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece or nephew) of a Management Board member or of persons in one of the above-mentioned positions.

All shareholder representatives of Austrian Post are independent. Written declarations of their independence have been submitted in accordance with the above-mentioned criteria. No shareholder representative has a stake of more than 10% in the company, or represents the interests of such a shareholder.

There are no contracts between the Supervisory Board members and Austrian Post which would require consent or disclosure pursuant to Rules 48 and 49 of the Austrian Corporate Governance Code.

4 — **MODE OF OPERATION OF THE MANAGEMENT AND SUPERVISORY BOARDS**

The Management Board is the managing body of the Austrian Post Group, and is bound to act in the company's best interests. It manages the business of the company on the basis of prevailing legal regulations, the Articles of Association and the by-laws. The by-laws for the Management Board stipulate the assignment of responsibilities and cooperation within the Management Board. They also define the information and reporting obligations of the Management Board as well as a catalogue of measures requiring the formal approval of the Supervisory Board.

The Management Board discusses the current business development at Austrian Post, as well as strategic and operational issues within the context of meetings held at least every fourteen days. At these meetings decisions are made requiring the approval of the entire Management Board. Moreover, the members of the Management Board continually exchange information about relevant activities and events with each other and with the responsible executives.

A so-called Executive Management Council provides support to the Management Board in running the company. This leadership team consists of approximately 50 top level employees, and plays an advisory and supporting role with respect to all operational and strategic issues affecting Austrian Post.

The Management Board regularly provides the Supervisory Board with timely and comprehensive information about all relevant issues relating to business development, including the assessment of the risk situation and risk management at Austrian Post and all key Group subsidiaries. Furthermore, in the spirit of good corporate governance, ongoing consultations take place between the respective chairmen of the Supervisory and Management Boards concerning those matters which fall under the jurisdiction of the Supervisory Board. In particular, this includes discussions on the strategy, business development and risk management at the company.

The Supervisory Board monitors and oversees the activities of the Management Board, and makes decisions on issues of fundamental importance as well as the strategic direction of the company. The work of the Supervisory Board is characterised by a high level of openness. The intensive work carried out by Supervisory Board committees supports the Supervisory Board with a view to ensuring focused discussions and efficient decision making.

The training programme initiated in the 2015 financial year has become an integral part of the Supervisory Board's work and was continued in 2016. The main focal points of its discussions were Turkey, the capital market and trends and security issues in information technology. The exchange of views with internal and external experts is particularly designed to deepen the market knowledge of the Supervisory Board members and intensify an exchange of experiences outside of the meetings.

In accordance with the stipulations of the Austrian Corporate Governance Code (C-Rule 36), the Supervisory Board carried out a self-evaluation of its work on the basis of a questionnaire. The Supervisory Board meeting held on August 10, 2016 dealt with the results of this assessment and the efficiency of its activities, especially its organisation and procedures. An analysis of the results shows

that the Supervisory Board maintains high professional standards and operates in accordance with the key principles of good corporate governance.

The **EXECUTIVE COMMITTEE** is responsible for regulating the relationships between the company and the members of the Management Board, pursuant to the by-laws of the Supervisory Board, including granting approval to secondary employment, inasmuch as this does not fall within the jurisdiction of the entire Supervisory Board, the Remuneration or Nomination Committee. In addition, the Executive Committee maintains regular contact to the Chairman of the Management Board, discussing strategy and business development with him.

The **NOMINATION COMMITTEE** submits recommendations to the Supervisory Board with respect to filling vacant positions on the Management Board, and also deals with issues relating to succession planning. The Nomination Committee or the entire Supervisory Board submits specific proposals to the Annual General Meeting on filling vacant Supervisory Board positions.

The **REMUNERATION COMMITTEE** deals with the contents of employment contracts with Management Board members, ensures implementation of the remuneration rules contained in the Austrian Corporate Governance Code, and regularly evaluates the policies governing remuneration of Management Board members.

The **AUDIT COMMITTEE** is responsible for auditing and preparing the approval of the company's annual financial statements, the auditing of the consolidated annual financial statements, the proposal on the distribution of profits, the Management Report and the Corporate Governance Report. Considerable importance is attached to monitoring reporting processes and the effectiveness of the internal control, internal audit and risk management systems. Another important task carried out by the Audit Committee is to prepare the proposal of the Supervisory Board for selection of the auditor of the annual accounts, and the monitoring of the independence of the auditor.

The **PARCEL & LOGISTICS COMMITTEE** supports the Management Board in preparing complex decisions on fundamental strategic issues impacting the Parcel & Logistics Division. The committee convened six times during the year under review, and reported to the Supervisory Board about the division's business results and any recommendations.

	Executive Committee	Nomination Committee	Remuneration Committee	Audit Committee	Parcel & Logistics Committee
Edith Hlawati	✓	✓ (Chairwoman)	✓ (Chairwoman)		
Erich Hampel					
Peter E. Kruse					✓ (Chairman)
Chris E. Muntwyler					✓
Markus Pichler				✓	
Elisabeth Stadler				✓	
Edeltraud Stiftinger	✓	✓	✓	✓ (Chairwoman)	
Herta Stockbauer				✓	
Helmut Köstinger		✓		✓	✓
Martin Palensky					
Andreas Schieder					
Manfred Wiedner				✓	

Seven meetings of the Supervisory Board were held in the course of the 2016 financial year. The focus of these regular sessions was the monitoring of the ongoing business development of Austrian Post and its subsidiaries as well as various transactions requiring Supervisory Board approval. Ongoing strategic development projects were discussed in detail during all Supervisory Board meetings. The priorities of the work carried out by the Supervisory Board in 2016 are contained in the Report of the Supervisory Board to the Annual General Meeting.

The Audit Committee convened four times. In its meeting on the financial statements and consolidated financial statements of Austrian Post, in which the auditors also took part, the Audit Committee

properly carried out its responsibilities pursuant to Section 92 Para. 4a Austrian Stock Corporation Act. Moreover, the Audit Committee intensively dealt with the quarterly (interim) financial statements for the 2016 financial year. The Audit Committee recommended to the Supervisory Board to propose the election by the Annual General Meeting of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the annual financial statements and consolidated annual financial statements of Austrian Post for the 2016 financial year. In 2016, the Nomination Committee focused on drawing up a proposal to fill the position of “Member of the Management Board and Director of the Mail & Branch Network Division”. The Remuneration Committee dealt with the variable remuneration paid to members of the Management Board as well as the contents of the employment contract of Walter Hitzinger, whose term of office was extended as Member of the Management Board and Director of the Mail & Branch Network Division.

The average attendance of all members at Supervisory Board meetings was about 93 %. No member personally attended fewer than half of the sessions.

5 — REMUNERATION REPORT

The Remuneration Report describes the amount and structure of the income received by the members of the Management Board and Supervisory Board of Austrian Post.

— MANAGEMENT BOARD

The remuneration system is based on the fundamental idea of taking a three-tiered approach (fixed and variable salary components as well as a Long-Term Incentive Programme). The fixed salary is linked to the salary structure of publicly listed Austrian companies, and takes into account the range of duties and responsibilities assumed by each of the members of the Management Board.

The variable remuneration system is linked to a large extent to measurable, short-term performance indicators and also encompasses the achievement of qualitative performance targets. The variable salary component may not surpass the limit of 120 % of the total annual fixed salary.

The total cash remuneration paid to the active members of the Management Board in 2016 amounted to EUR 4,032m.

EUR thousand	Fixed salary (incl. payments in kind)		Variable salary		Total remuneration (incl. payments in kind)	
	2015	2016	2015	2016	2015	2016
Georg Pölzl	611	615	675	720	1,286	1,335
Walter Oblin	392	414	406	458	798	872
Walter Hitzinger	451	454	528	528	979	982
Peter Umundum	373	406	406	436	779	842
Total	1,827	1,891	2,015	2,141	3,842	4,032

The remuneration of the variable salary components is paid in the following year due to the fact that the extent to which stipulated targets have been achieved can first be determined at the end of the financial year. For this reason, the chart above presents the variable salary granted to the Management Board members in 2015 and 2016 for the 2014 and 2015 financial years.

In case the employment contract of a Management Board member is terminated, the employment contract stipulates that the Management Board member is entitled to severance pay of up to an entire year's annual salary or the right to be covered by the Company Employee and Self-Employed

Pension Plan Act. All members of the Management Board have concluded a pension fund agreement in accordance with the stipulations contained in model contracts (BGBl – Federal Law Gazette) under which Austrian Post is required to pay 10% of the individual's fixed annual gross salary into the pension fund each year. The Management Board members do not have any "change of control" clauses in their contracts.

The members of the Management and Supervisory Boards of Austrian Post are insured within the framework of Directors and Officers Liability Insurance with liability coverage to the amount of EUR 70m. The insurance covers judicial and extrajudicial protection against unfounded claims for damages as well as the settlement of such claims which may be considered as legally justified.

Any additional work carried out by a member of the Management Board outside of the company requires the approval of the Executive Committee of the Supervisory Board. This ensures that neither the time involved nor the remuneration granted for this work represents a conflict of interest with the board member's responsibilities to Austrian Post.

The Long-Term Incentive Programme (LTIP) launched in 2010 for the Management Board takes account of the EU's recommendations on remuneration policies from April 2009, and is based on the performance-based allocation of shares. The underlying objective is to align the interests of company management with those of Austrian Post shareholders to achieve a medium- to long-term increase in in shareholder value. The LTIP is contingent upon each of the Management Board members making their own one-time investment for the duration of three years and a subsequent one-year retention period. The number of shares required for the Management Board member's own investment is calculated on the basis of a pre-defined percentage of the gross fixed salary, divided by the reference average share price in the fourth quarter of the previous year. At the beginning of the programme, target values were defined for key performance indicators (total shareholder return, free cash flow and earnings per share), whereby each indicator is considered to be equally important. The success in achieving the pre-defined objectives is monitored over a three-year observation period. Payment for the LTIP for the years 2013–2015 took place in the 2016 financial year.

	LTIP 2013–2015 Own investment		Number of shares held up to Dec. 31, 2016	Equivalent value in EUR thousand ³	LTIP 2013–2015
	Required number of shares	Equivalent value in EUR thousand ²			Payment in EUR thousand
Georg Pölzl	15,548	440	27,054	848	1,114
Walter Oblin	6,997	198	9,899	310	520
Walter Hitziger	9,329	264	12,100	379	693
Peter Umundum	6,997	198	10,827	339	520

² Basis: average share price in H2 2012

³ Basis: average share price in Q4 2016

— PRINCIPLES UNDERLYING THE REMUNERATION OF SENIOR MANAGEMENT

The principles governing the remuneration paid to the Management Board are also applied in an adapted form to executives and managing directors of Austrian Post's main subsidiaries. Their salaries contain fixed and variable components based on the achievement of financial and non-financial targets as well as individually defined objectives.

In addition, a Long-Term Incentive Programme exists for senior managers, in which selected members of various management levels of the Group are entitled to participate. The LTIP links pre-defined, measurable, long-term and sustainable criteria (total shareholder return, free cash flow and earnings per share) and is contingent upon participants making their own corresponding investment. The achievement of objectives is monitored over a period of three years.

— SUPERVISORY BOARD

Remuneration of the Supervisory Board for the previous financial year is determined annually by the Annual General Meeting, which also decides on the fee for attending meetings. The Annual General Meeting held on April 14, 2016 specified the remuneration paid to the Supervisory Board members as follows:

- Chairwoman EUR 30,000
- Deputy Chairwoman EUR 25,000
- Other Supervisory Board members EUR 20,000

- Chairperson of a committee EUR 14,000
- Deputy chairperson of a committee EUR 12,000
- Other committee members EUR 10,000

Committee remuneration is limited to membership on one committee, and is thus paid only once even if a Supervisory Board member belongs to several committees.

In addition, every Supervisory Board and committee member residing in Austria is paid an attendance fee of EUR 600 per person and meeting. The attendance fee for every international expert has been set at EUR 1,600 per member and Supervisory Board session attended. For participation in Supervisory Board meetings in a different way than being physically present (Section 12 Para. 5 and 6 Articles of Association), the attendance fee is EUR 600 in each case per member and meeting.

Remuneration is made on a pro rata (daily) basis if a member did not belong to the Supervisory Board for the entire year.

The total remuneration paid to the individual Supervisory Board members in the 2016 financial year is as follows:

Name	Remuneration granted for 2015 and paid in 2016	Attendance fees 2016
SHAREHOLDER REPRESENTATIVES		
Edith Hlawati, Chairwoman since April 15, 2015 (Deputy Chairwoman until April 15, 2015)	41,532	6,000
Edeltraud Stiftinger (Deputy Chairwoman since April 15, 2015)	27,888	8,400
Rudolf Kemler ⁴ (retired, Chairman until April 15, 2015)	12,657	
Erich Hampel	20,000	3,600
Peter E. Kruse	29,205	19,800
Günter Leonhartsberger ⁴ (retired as at April 15, 2015)	8,630	
Chris E. Muntwyler	26,575	14,600
Markus Pichler	30,000	5,400
Elisabeth Stadler	30,000	5,400
Herta Stockbauer (since April 15, 2015)	22,882	6,600
EMPLOYEE REPRESENTATIVES		
Helmut Köstinger		10,200
Martin Palensky		4,200
Andreas Schieder		4,200
Manfred Wiedner		6,000

⁴ Supervisory Board remuneration and attendance fees are transferred to ÖBIB

The employee representatives perform their duties on the Supervisory Board on an honorary basis, and are compensated for their involvement in the Central Works Council in accordance with their respective employment contracts. They are only entitled to receive attendance fees. They may only be discharged of their responsibilities by the Central Works Council, but this may occur at any time.

In accordance with Article 10 Market Abuse Regulation (European Regulation (EU) No. 596/2014), purchases or sales of shares by Management Board and Supervisory Board members must be published within three working days after the day on which the transaction was concluded, and are available for downloading at www.post.at/ir. At the end of 2016, a total of 62,130 Austrian Post shares were owned by members of the Management Board and Supervisory Board.

Number of shares held	Dec. 31, 2015	Purchase	Sale	Dec. 31, 2016
MANAGEMENT BOARD				
Georg Pözl	26,054	1,000		27,054
Walter Oblin	9,099	800		9,899
Walter Hitziger	12,100			12,100
Peter Umundum	9,827	1,000		10,827
SUPERVISORY BOARD				
Markus Pichler	2,000	250		2,250

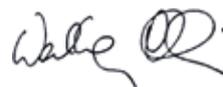
Vienna, February 24, 2017

The Management Board



Georg Pözl

Chairman of the Management Board
Chief Executive Officer



Walter Oblin

Member of the Management Board
Chief Financial Officer



Walter Hitziger

Member of the Management Board
Mail & Branch Network Division



Peter Umundum

Member of the Management Board
Parcel & Logistics Division