

1.12 REMUNERATION REPORT

Performance-oriented and transparent supervisory and management board remuneration are fundamental to good corporate governance. This is ascribed great importance in particular by institutional investors. In this chapter, we have provided information on the structure and level of the remuneration of the Supervisory Board and Executive Board of RWE AG. In addition to the requirements of German stock corporation and commercial law, we also consider the recommendations of the German Corporate Governance Code concerning the design and presentation of remuneration systems.

Structure of Supervisory Board remuneration

Fundamentals. The remuneration of the Supervisory Board is governed by the provisions of the Articles of Incorporation of RWE AG. Accordingly, the Chairman of the Supervisory Board receives fixed remuneration of €300,000 per fiscal year. His Deputy receives €200,000 per fiscal year. The other members of the Supervisory Board receive fixed remuneration of €100,000 and additional compensation for committee mandates according to the following rules.

Members of the Audit Committee receive additional remuneration of €40,000. This payment is increased to €80,000 for the Chair of this committee. With the exception of the Nomination Committee, the members of which do not receive additional remuneration, the members and the Chairs of all the other Supervisory Board committees receive an additional €20,000 and €40,000 in remuneration, respectively. Remuneration for a committee mandate is only paid if the committee is active at least once in the fiscal year.

Supervisory Board members who concurrently hold several offices in this body only receive compensation for the highest-paid position. Remuneration is prorated if a Supervisory Board member only performs a function for part of a fiscal year.

In addition to the remuneration paid, out-of-pocket expenses are refunded to the members of the Supervisory Board. Some Supervisory Board members also receive income from the exercise of Supervisory Board mandates at subsidiaries of RWE AG.

The members of the Supervisory Board imposed on themselves the obligation, subject to any commitment to relinquish their pay, to use 25% of the total compensation paid (before taxes) to buy RWE shares and to hold them for the duration of their membership of the Supervisory Board of RWE AG. Last year, all of the members who do not relinquish their compensation met this self-imposed obligation for their compensation for 2017. For the new members who joined the Board in 2018, this self-imposed obligation applies for the first time to the remuneration for fiscal 2018, which was paid out at the start of fiscal 2019.

Level of Supervisory Board remuneration

Remuneration for fiscal 2018. In total, the remuneration of the Supervisory Board (excluding out-of-pocket expenses) amounted to €3,480,000 in fiscal 2018 (previous year: €3,637,000). Of this sum, €460,000 (previous year:

€459,000) was remuneration paid for mandates on committees of the Supervisory Board and €720,000 (previous year: €877,000) was remuneration paid for mandates at subsidiaries.

The remuneration of all individuals who have served on the Supervisory Board in 2017 and/or 2018 is shown in the following table.

Supervisory Board remuneration ¹	Fixed remuneration		Remuneration for committee offices		Remuneration for mandates at subsidiaries ²		Total remuneration ³	
	2018	2017	2018	2017	2018	2017	2018	2017
€ '000								
Dr. Werner Brandt, Chairman	300	300	-	-	-	300	300	600
Frank Bsirske, Deputy Chairman	200	200	-	-	200	200	400	400
Michael Bochinsky (since 1 August 2018)	42	-	17	-	-	-	59	-
Reiner Böhle	100	100	20	20	-	120	120	240
Sandra Bossemeyer	100	100	20	20	-	-	120	120
Martin Bröker (since 1 September 2018)	33	-	-	-	-	-	33	-
Ute Gerbaulet (since 27 April 2017)	100	68	-	-	-	-	100	68
Reinhold Gispert (27 April 2017 to 31 July 2018)	58	68	23	26	-	14	81	108
Arno Hahn (until 27 April 2017)	-	32	-	13	-	18	-	63
Andreas Henrich (until 31 August 2018)	67	100	-	-	-	-	67	100
Prof. Dr. Hans-Peter Keitel	100	100	20	20	-	-	120	120
Dr. h.c. Monika Kircher	100	100	-	-	-	-	100	100
Martina Koederitz (20 April 2016 to 27 April 2017)	-	32	-	-	-	38	-	71
Monika Krebber	100	100	20	20	120	67	240	187
Harald Louis	100	100	20	20	20	40	140	160
Dagmar Mühlendorf	100	100	20	20	-	-	120	120
Peter Ottmann	100	100	20	20	-	-	120	120
Günther Scharz	100	100	20	20	-	-	120	120
Dr. Erhard Schipporeit	100	100	80	80	300	-	480	180
Dr. Wolfgang Schüssel	100	100	40	40	-	-	140	140
Ullrich Sierau	100	100	40	40	-	-	140	140
Ralf Sikorski	100	100	40	40	50	50	190	190
Marion Weckes	100	100	40	40	-	-	140	140
Leonhard Zubrowski	100	100	20	20	30	30	150	150
Total³	2,300	2,301	460	459	720	877	3,480	3,637

1 Supervisory Board members who joined or retired from the corporate body during the year receive prorated remuneration.

2 Remuneration for exercising mandates at subsidiaries is only included for periods of membership of the Supervisory Board of RWE AG.

3 The commercial rounding of certain figures can result in inaccurate sums.

Structure of Executive Board remuneration

Executive Board remuneration. The structure and level of the Executive Board's remuneration are determined by the Supervisory Board of RWE AG and reviewed on a regular basis to determine whether they are appropriate and in line with the market. The remuneration system described in the following has been applied since 1 October 2016. It is made up of non-performance-based and performance-based components. The former consists of the fixed salary, the pension instalment as well as fringe benefits. The performance-based components include the bonus and a share-based payment, the latter of which is a long-term compensation component.

Recipients of Executive Board remuneration. In the financial year that just ended, Rolf Martin Schmitz and Markus Krebber received compensation for their work on the Executive Board of RWE AG. Rolf Martin Schmitz has been a member of the Executive Board since 1 May 2009 and its Chairman since 15 October 2016. His tenure on the Executive Board expires on 30 June 2021. Markus Krebber was appointed to this corporate body for an initial period of three years with effect from 1 October 2016 and has been in charge of finance since 15 October 2016. In December 2018, his appointment was extended by five years through to 30 September 2024.

Non-performance-based Executive Board remuneration

Fixed compensation and pension instalments. The members of the Executive Board of RWE AG receive a fixed annual salary, which is paid in twelve monthly instalments. As a second fixed remuneration component, they are entitled to a pension instalment for every year of service, which is determined on an individual basis, unless – as is the case with Rolf Martin Schmitz – they belonged to the Executive Board before the pension instalment was introduced and have therefore received a pension commitment (see page 67).

The pension instalment is paid in cash or retained in part or in full in exchange for a pension commitment of equal value through a gross compensation conversion. RWE has concluded a reinsurance policy to finance the pension commitment. The accumulated capital may be drawn upon

on retirement, but not before the Executive Board member turns 62. Members of the Executive Board of RWE reach the established age limit when they are 63 years old. They can be reappointed for one year at a time thereafter, but may not hold office beyond their 65th birthday.

When retiring, Executive Board members can choose a one-time payment or a maximum of nine instalments. They and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities within the RWE Group remain unaffected by this.

Fringe benefits. Non-performance-based compensation components also include fringe benefits, primarily consisting of company cars and accident insurance premiums.

Performance-based Executive Board remuneration

Bonus. Executive Board members receive a bonus which is based on the economic performance of the company and the degree to which they achieve their individual goals and the collective goals of the Executive Board. The starting point for calculating the bonus is what is referred to as the 'company bonus', which depends on the level of adjusted EBIT (EBIT minus the non-operating result) and is determined as set out in the next paragraph.

The Supervisory Board sets a target as well as a floor and a ceiling for adjusted EBIT at the beginning of every fiscal year. After the end of the fiscal year, the actual level of adjusted EBIT achieved is compared with the target figure. If the figures are identical, the target achievement is 100%. In this case, the company bonus equals the contractually agreed baseline bonus. If adjusted EBIT is exactly at the pre-defined floor, target achievement is 50%; if it is at the

ceiling, target achievement is 150 %. Target achievement is adjusted linearly if adjusted EBIT is between the two limits. If it is below the floor, no company bonus is paid. If the ceiling is exceeded, the maximum target achievement remains 150 %. The rules of the remuneration system for the Executive Board stipulate that the Supervisory Board may make adjustments to adjusted EBIT. Such adjustments can relate to gains on disposals, changes in provisions, as well as impairments and their consequences.

The performance of each Executive Board member is considered by multiplying the company bonus by a performance factor. It may vary between 0.8 and 1.2. The value achieved depends on the following criteria, each of which is weighted by one-third: (1) achievement of individual targets, (2) collective performance of the Executive Board, and (3) performance in corporate responsibility (CR) and employee motivation. Success in CR depends on the achievement of environmental and social goals and is documented in our sustainability reporting. Employee motivation is measured with a motivation index, which is based on anonymous surveys of employee commitment and satisfaction.

After the end of every fiscal year, the Supervisory Board evaluates the individual performance of the Executive Board members relative to the three criteria above and determines their individual performance factor. This is done in line with the binding goals and targets which it sets at the beginning of the financial year. The bonus determined in this manner is paid out in full to the Executive Board members after the end of the fiscal year.

Adjusted EBIT, the target figure used to determine the company bonus, was revised per a Supervisory Board resolution of September 2018. In the past, innogy SE, in which we hold a 76.8 % stake, was considered as a fully consolidated subsidiary in determining EBIT, in accordance with International Financial Reporting Standards (IFRS). As set out on page 40, the envisaged asset swap with E.ON required methodological accounting adjustments to be made, as a result of which adjusted EBIT according to the old definition no longer exists. When measuring performance, we now use an adjusted EBIT that reflects RWE's current situation better and is determined on a continuous basis. In so doing, deviating from IFRS consolidation principles, innogy is considered as a purely financial investment. More detailed information on this approach can be found on page 58. The change in the composition of adjusted EBIT made it necessary to revise the target parameter for performance measurement retrospectively. This was decided by the Supervisory Board of RWE AG in September 2018.

The German Corporate Governance Code (GCGC) recommends prohibiting retrospective changes to performance targets and reference parameters (Item 4.2.3, Paragraph 2, Sentence 8). In our Declaration of Compliance, which was published on 21 September 2018, we stated that we deviated from the Code in this point. However, we do not believe that we acted contrary to the basic intention of the recommendation, as the update to the target figures was methodological in nature and occasioned by German stock corporation law.

Share-based payment. Executive Board members are granted a share-based payment according to RWE AG's Strategic Performance Plan (SPP). The SPP rewards the achievement of long-term goals. The key determinants of success are the level of adjusted net income and the performance of the RWE common share (return on share price development and dividend) over a period of several years. The link between compensation and the development of the share price over the long term motivates the Executive Board to consider the interests of the company's owners when taking decisions.

The SPP is based on conditionally granted performance shares. Performance shares are granted as of 1 January of every fiscal year. The SPP's conditions envisage a transitional tranche in fiscal 2016 (year of introduction) and three more regular tranches for 2017, 2018 and 2019. The Executive Board members receive a grant letter for each tranche, in which they are informed of their personal gross allocation amount. The preliminary number of performance shares is calculated by dividing the grant amount by the average closing quotation of the RWE share over the last 30 days of trading on Xetra before the grant.

The granted performance shares have a term of four years (vesting period). After the end of the first year, the number of fully granted performance shares is determined. It depends on the adjusted net income achieved by RWE for the year. The actual figure is compared to a pre-defined target figure. The procedure is similar to the approach taken when determining the company bonus. The Supervisory Board pre-defines a target, a floor and a ceiling for adjusted net income, orienting itself towards the approved medium-term plan in doing so. If the target figure is achieved exactly, 100 % of the conditionally granted performance shares of the tranche is fully allocated. If adjusted net income is exactly at the floor, 50 % of the conditionally granted performance shares is fully allocated; if it is at the ceiling, the final grant amounts to 150 %. If adjusted net income is below the floor, all of the conditionally granted performance shares from the tranche lapse. If the ceiling is exceeded, the maximum grant remains 150 %.

The fully vested performance shares are fully paid out in cash to the Executive Board member after the end of the four-year vesting period. The level of the payment depends on the performance of the RWE common share. It corresponds to the final number of performance shares multiplied by the sum of the average closing quotation of the RWE common share over the last 30 days of trading on Xetra before the end of the vesting period and the cumulative dividend paid during the holding period. However, a cap applies in this case as well: even in the event of an extremely good share performance, the payment is limited to a maximum of 200 % of the initial gross grant amount.

The members of the Executive Board are obliged to reinvest 25 % of the payment (after taxes) in RWE shares. The shares must be held until at least the end of the third year after conclusion of the vesting period.

The performance shares remain unaffected after an Executive Board member leaves the body at the end of their contract and are paid out as planned at the end of the vesting period. If an Executive Board member voluntarily leaves the company early or is dismissed with good cause, all performance shares which have not yet reached the end of the plan's duration lapse. The SPP also contains a provision which gives the Supervisory Board the power to punish infractions by Executive Board members, for example serious violations of the company's Code of Conduct, by reducing or completely voiding ongoing SPP tranches.

In 2016, the Supervisory Board established target figures for adjusted net income for the planned SPP tranches (2016 to 2019). As part of this, the aforementioned ceilings and floors were also determined. The SPP conditions stipulate that the Supervisory Board may retrospectively adjust the target and threshold values only to a very limited extent in precisely defined cases. Such adjustments are permissible if they take account of the effects of capital measures, acquisitions, divestments and regulatory changes, which were not yet known or unforeseeable when the figures were determined. As set out in the commentary on the bonus, in 2018, we changed the method used to determine the figures due to the envisaged asset swap with E.ON. This also affected adjusted net income, which we had derived from the IFRS net income in the past and now determine in the manner described on page 58, i. e. by considering innogy as a pure financial investment. Accordingly, the target figures for adjusted net income for the 2018 and 2019 SPP tranches were also adjusted retrospectively.

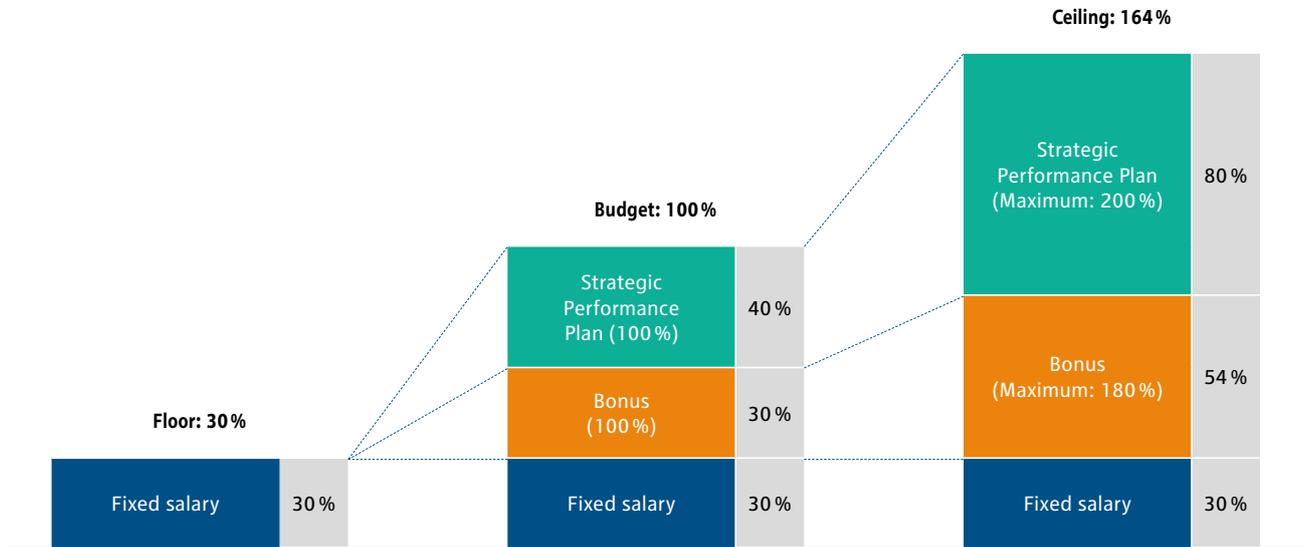
We published information on this deviation from the German Corporate Governance Code in the aforementioned statement of compliance on 21 September 2018.

Remuneration for exercising mandates. During the past fiscal year, members of the RWE AG Executive Board were paid to exercise supervisory board mandates at affiliates. This income is deducted from the bonus and therefore does not increase the total remuneration.

Shares of total remuneration accounted for by the individual components. Assuming that both the company and the Executive Board members achieve their performance targets to a degree of 100 %, the compensation structure roughly breaks down as follows: the base salary accounts for around 30 % of total remuneration. Approximately 30 % is allocable to short-term variable remuneration, i. e. the bonus. As a long-term compensation component, the SPP accounts for about 40 % of total remuneration.

Limitation of Executive Board remuneration. As set out earlier, the level of variable compensation components is limited. The company bonus amounts to a maximum of 150 % of the contractually agreed bonus budget. Multiplying this by the individual performance factor (0.8 to 1.2), it is possible to reach a maximum of 180 % of the bonus budget. With regard to share-based payment under the SPP, payout of the performance shares after the completion of the vesting period is limited to a maximum of 200 % of the grant budget. Due to the above maximum values, there is also a cap on total compensation (see diagram overleaf).

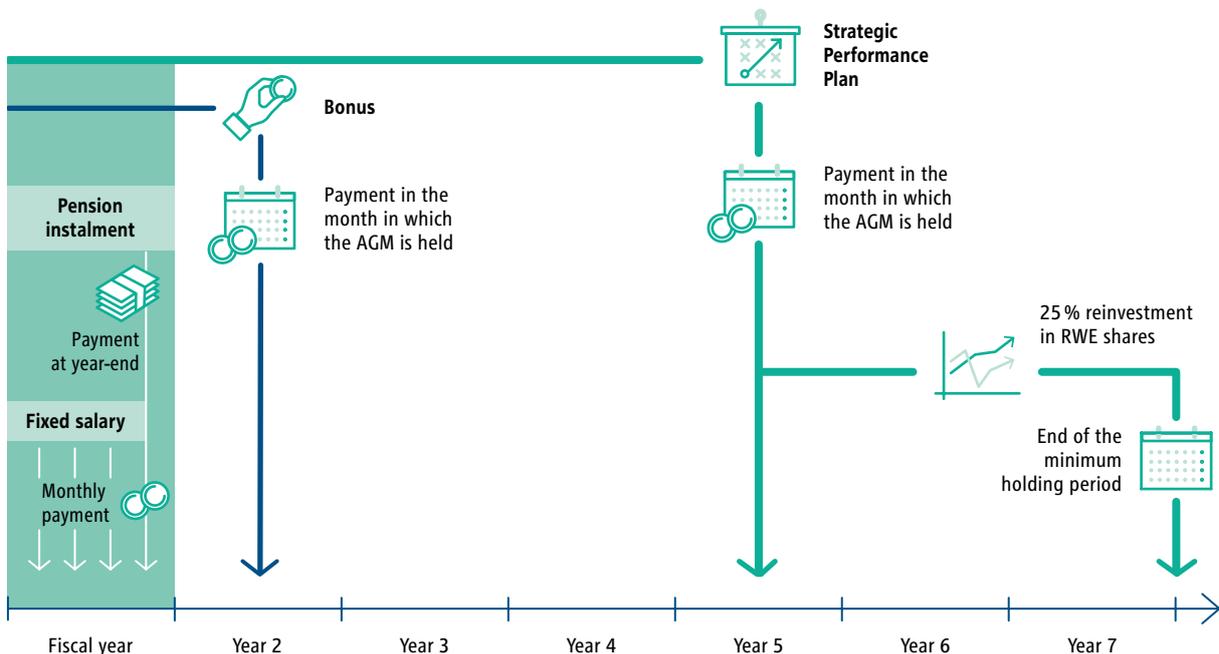
Range of Executive Board remuneration



Payment dates. Executive Board members receive their fixed salary in twelve monthly instalments. The pension instalment is paid out at the end of the year, insofar as it is not converted into a pension commitment. After the fiscal year, the Supervisory Board determines the target achievement for the company bonus and the individual performance factor. The bonus is paid out in the month of the Annual General Meeting (AGM) which attends to the financial statements of RWE AG. After the end of the four-

year vesting period, the performance shares from the SPP are paid out during the month of the Annual General Meeting held in the following year. As explained earlier, Executive Board members must invest 25% of the payment in RWE common shares and may not liquidate these shares until after three additional calendar years have passed from completion of the four-year vesting period. As a result, it takes a total of seven years for Executive Board members to obtain the full amount of their compensation.

Executive Board remuneration payment timeline for a fiscal year



Pension scheme. Until the introduction of the pension instalment as of 1 January 2011 described earlier, pension benefits were granted to the members of the Executive Board. Of the Executive Board members in 2018, this only applies to Rolf Martin Schmitz; the pension commitment made to him in 2009 will remain unchanged. It entitles him to life-long retirement benefits in the event of retirement from the Executive Board of RWE AG upon turning 59, permanent disability, early termination or non-extension of his employment contract by the company. In the event of death, his surviving dependants are entitled to benefits. The amount of Rolf Martin Schmitz's qualifying income and the level of benefits determined by the duration of service are taken as a basis for his individual pension and surviving dependants' benefits.

Change of control. If shareholders or third parties obtain control over the company and this results in major disadvantages for the Executive Board members, they have a special right of termination. They have the right to resign from the Executive Board and to request that their employment contract be terminated in combination with a one-off payment within six months of the change of control.

A change of control as defined by this provision occurs when one or several shareholders or third parties acting jointly account for at least 30% of the voting rights in the company,

or if any of the aforementioned can exert a controlling influence on the company in another manner. A change of control also occurs if the company is merged with another legal entity, unless the value of the other legal entity is less than 50% of the value of RWE AG.

On termination of their employment contract, Executive Board members receive a one-off payment equalling the compensation due until the end of the term of their contract: however, this amount will not be higher than three times their total contractual annual remuneration. The share-based payments under the SPP are not included in this payment.

In the event of a change of control, all of the fully granted performance shares under the SPP that have not been paid out are paid out early. All performance shares granted under the SPP on a preliminary basis lapse on the date of the change of control.

Early termination of Executive Board mandate and severance cap. Following a recommendation of the GCGC, the Executive Board's employment contracts include a provision stipulating that if an Executive Board mandate is otherwise terminated early without due cause, a severance payment of no more than the remuneration due until the end of the employment contract and no more than two total annual compensations including fringe benefits is made (severance cap).

Level of Executive Board remuneration

Total amount of the remuneration components for 2018. The following section presents the remuneration granted to the Executive Board members of RWE AG for their work in fiscal 2018. It was calculated in compliance with the rules set out in the German Commercial Code.

Total Executive Board compensation for the past fiscal year amounted to €6,880,000. The previous year's figure was €7,274,000 and included the emoluments of Uwe Tigges, who resigned from the Executive Board at the end of April 2017.

In 2018, non-performance-based components, i. e. the fixed salary of the Executive Board members, fringe benefits and the pension instalment, amounted to €2,246,000 (previous year: €2,342,000). Pursuant to the German Commercial Code, the annual service cost of the pension commitment to Rolf Martin Schmitz is not recognised as remuneration, as opposed to the pension instalment of €300,000 paid to Markus Krebber (previous year: €255,000).

In 2018, performance-based components amounted to a total of €4,634,000 (previous year: €4,932,000). Of this, €2,284,000 (previous year: €2,365,000) was attributable to the bonus for fiscal 2018 paid directly and €2,350,000 (previous year: €2,567,000) to the allocation of performance shares under the SPP.

As set out on page 64, last year we started calculating adjusted EBIT, the yardstick for determining the level of the bonus, using a new method that considers innogy as a purely financial investment. Therefore, the target for 2018 was adjusted retrospectively, to €831 million (target achievement of 100%) with a floor of €131 million (target achievement of 50%) and a ceiling of €1,531 million (target achievement of 150%). The new figures were also determined on the basis of the medium-term planning prepared in 2017. We actually achieved adjusted EBIT of €953 million. The adjusted EBIT figure was adjusted by –€49 million to €904 million. The adjustment relates to changes in the amortisation periods of certain assets and

valuation effects regarding provisions. The adjustment leads to a target achievement of 105 % for the company bonus.

Calculation of the 2018 company bonus	Adjusted EBIT € million	Target achievement %
Target	831	100
Floor	131	50
Ceiling	1,531	150
Actual	953	-
Adjustments ¹	-49	-
Adjusted actual	904	105

¹ See commentary above.

As set out above, the company bonus resulting from this target achievement is multiplied by a personal performance factor. Based on the assessment of the personal goals, the collective performance of the Executive Board as a whole as well as the targets relating to corporate responsibility and employee motivation, the Supervisory Board set the performance factor for Rolf Martin Schmitz and Markus Krebber at 1.2. This results in a bonus of 126 % of the contractually agreed budget. The Supervisory Board acknowledged that the Executive Board made better progress than expected in implementing the strategic and financial goals established in advance. In particular, the substantial progress made in

transforming RWE into a leading renewable energy company was recognised. On the whole, feedback from the capital market on the initiated transformation of the company has been positive. The annual employee opinion survey proves that personnel motivation improved even further from a level that was already high, despite the challenging environment.

The following table summarises the short-term remuneration paid in accordance with the German Commercial Code for fiscal 2018.

Short-term Executive Board remuneration	Dr. Rolf Martin Schmitz		Dr. Markus Krebber		Uwe Tigges until 30 April 2017		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
€ '000								
Non-performance-based remuneration								
Fixed remuneration	1,160	960	750	750	-	250	1,910	1,960
Fringe benefits (company car, accident insurance)	20	15	16	20	-	7	36	42
Other payments (pension instalments)	-	-	300	255	-	85	300	340
Total	1,180	975	1,066	1,025	-	342	2,246	2,342
Performance-based remuneration								
Direct bonus payment	1,271	1,168	718	643	-	213	1,989	2,024
Remuneration for mandates ¹	115	138	180	203	-	-	295	341
Bonus	1,386	1,306	898	846	-	213	2,284	2,365
Total	2,566	2,281	1,964	1,871	-	555	4,530	4,707

¹ In 2018, the remuneration for exercising intragroup supervisory board offices was fully set off against the bonus.

Share-based payment according to the Strategic

Performance Plan. In fiscal 2018, Rolf Martin Schmitz and Markus Krebber were granted performance shares under the SPP of RWE AG (see the following overview). The main factor in determining the ratio of the number of performance shares granted on a preliminary basis to the final number of performance shares granted was adjusted net income in fiscal 2018. The target figure (€49 million) was derived from the 2016 medium-term plan and corresponds to an allocation of 100 %. The floor is –€351 million, and the

ceiling is €449 million. Similar to adjusted EBIT, a downward adjustment to €233 million was made to the figure actually achieved (€591 million). Accordingly, the allocation was 123 %. The adjustments were made pursuant to the SPP conditions in order to eliminate unplanned exceptional effects. For example, we recognised substantial impairments for power plants in the 2016 consolidated financial statements, which had not been included in the medium-term plan at the time and have resulted in a significant decrease in depreciation. We eliminated this effect on depreciation.

Calculation of the 2018 tranche of the Strategic Performance Plan	Adjusted net income € million	Target achievement %
Target	49	100
Floor	–351	50
Ceiling	449	150
Actual	591	–
Adjustments ¹	–358	–
Adjusted actual	233	123

¹ See commentary above.

Long-term incentive payment Strategic Performance Plan		Dr. Rolf Martin Schmitz			Dr. Markus Krebber		
Tranche	Year	2018	2017	2016	2018	2017	2016
Company		RWE AG	RWE AG	RWE AG	RWE AG	RWE AG	RWE AG
Grant date		1 Jan 2018	1 Jan 2017	1 Jan 2016	1 Jan 2018	1 Jan 2017	1 Jan 2016
Fair value at grant date	€ '000	1,250	1,250	769	1,100	988	247
Share price (average)	€	18.80	11.62	13.78	18.80	11.62	13.78
Number of performance shares allocated on a provisional basis		66,489	107,573	55,787	58,511	84,983	17,915
Measurement date of performance conditions		31 Dec 2018	31 Dec 2017	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2017
Target achievement in relation to adjusted net income	%	123	115	115	123	115	115
Final number of fully granted performance shares		81,781	123,709	64,155	71,969	97,730	20,602
End of the vesting period		31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2021	31 Dec 2020	31 Dec 2019

Long-term incentive payment Strategic Performance Plan		Uwe Tigges until 30 April 2017		
		Year	2018	2017
Tranche				
Company		innogy SE	innogy SE	innogy SE
Grant date		1 Jan 2018	1 Jan 2017	1 Jan 2016
Fair value at grant date	€ '000	-	329	706
Share price (average)	€	-	32.07	37.13
Number of performance shares allocated on a provisional basis		-	10,264	19,021
Measurement date of performance conditions		-	31 Dec 2017	31 Dec 2017
Target achievement in relation to adjusted net income	%	-	88	88
Final number of fully granted performance shares		-	9,032	16,738
End of the vesting period		-	31 Dec 2020	31 Dec 2019

The table below shows the level of provisions formed for share-based payment obligations under the SPP.

Addition of provisions for long-term share-based incentive payments € '000	2018	2017
Dr. Rolf Martin Schmitz	1,413	592
Dr. Markus Krebber	934	393
Uwe Tigges (until 30 April 2017)	-	124
Total	2,347	1,109

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz amounted to €536,000 in 2018 (previous year: €538,000). This is not a remuneration component in accordance with the German Commercial Code. As of year-end, the net present value of the defined benefit obligation determined in accordance with IFRS amounted to €13,370,000 (previous year: €12,391,000). The present value of the pension obligation determined according to the German Commercial Code totalled €10,534,000 (previous year: €9,287,000). The pension obligation for 2018 increased by €1,248,000 (previous year: decrease of €607,000).

Based on the emoluments qualifying for a pension as of 31 December 2018, the projected annual pension of Rolf Martin Schmitz on retiring from the company as of the expiry of his appointment amounted to €556,000 (unchanged from the previous year). This includes vested pension benefits due from former employers transferred to RWE AG.

Recommendations of the German Corporate Governance Code

According to the version of the GCGC published on 7 February 2017, the total remuneration of management board members comprises the monetary compensation elements, pension commitments, other awards, fringe benefits of all kinds and benefits from third parties which were granted or paid in the financial year with regard to management board work. Item 4.2.5, Paragraph 3 of the Code lists the compensation components that should be disclosed. Unlike under German commercial law, according to the GCGC the annual service cost of pension benefits is also part of total remuneration.

The GCGC provides specific examples for the recommended presentation of management board compensation based on model tables, which distinguishes between 'benefits granted' and 'benefits received'.

- According to the GCGC, benefits or compensation are granted when a binding commitment to such is made to the management board member. In deviation from German commercial law, it is not relevant to what extent the management board member has already provided the services being remunerated.

- The term 'benefits received' defines the extent to which the management board member has already received payments. In this regard, the relevant aspect is the time at which the amount being paid is sufficiently certain and not the actual time of the payment.

This distinction made in the Code can be illustrated with the example of the bonus: the contractually agreed and promised budgeted bonus for the fiscal year in question is considered 'granted'. Conversely, the benefits received table shows the bonus level which will actually be paid with a high degree of probability. In this regard, it is irrelevant that the payment will not be made until the following year. The payment date is deemed to have been reached when the indicators and results needed to determine target achievement (and therefore the bonus) are known with sufficient certainty. The Code assumes that this is already the case at the end of the year. As a result, the Executive Board bonuses are stated in the reporting year in the benefits received table.

In the following, we present the compensation of the Executive Board of RWE AG based on the sample tables recommended by the GCGC.

Benefits granted	Dr. Rolf Martin Schmitz Chief Executive Officer since 15 October 2016				Dr. Markus Krebber Chief Financial Officer since 15 October 2016			
	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)
€ '000								
Fixed remuneration	960	1,160	1,160	1,160	750	750	750	750
Pension instalment	-	-	-	-	255	300	300	300
Fringe benefits	15	20	20	20	20	16	16	16
Total fixed remuneration	975	1,180	1,180	1,180	1,025	1,066	1,066	1,066
One-year variable remuneration	1,100	1,100	0	1,980	713	713	0	1,283
Bonus	1,100	1,100	0	1,980	713	713	0	1,283
Multi-year variable remuneration	1,250	1,250	0	2,500	988	1,100	0	2,200
SPP 2017 tranche (term: 2017-2020)	1,250	-	-	-	988	-	-	-
SPP 2018 tranche (term: 2018-2021)	-	1,250	0	2,500	-	1,100	0	2,200
Total variable remuneration	2,350	2,350	0	4,480	1,701	1,813	0	3,483
Total	3,325	3,530	1,180	5,660	2,726	2,879	1,066	4,549
Service cost	538	536	536	536	-	-	-	-
Total remuneration	3,863	4,066	1,716	6,196	2,726	2,879	1,066	4,549

Benefits received	Dr. Rolf Martin Schmitz Chief Executive Officer since 15 October 2016		Dr. Markus Krebber Chief Financial Officer since 15 October 2016	
	2018	2017	2018	2017
€ '000				
Fixed remuneration	1,160	960	750	750
Pension instalment	-	-	300	255
Fringe benefits	20	15	16	20
Total fixed remuneration	1,180	975	1,066	1,025
One-year variable remuneration	1,386	1,306	898	846
Bonus ¹	1,386	1,306	898	846
Multi-year variable remuneration	0	0	0	0
Total variable remuneration	1,386	1,306	898	846
Total	2,566	2,281	1,964	1,871
Service cost	536	538	-	-
Total remuneration	3,102	2,819	1,964	1,871

1 The bonus includes remuneration for exercising intragroup supervisory board offices; also see the table 'Short-term Executive Board remuneration' on page 68.