

2.11 Remuneration report

Standards imposed on management and supervisory board compensation by the capital market have become higher. More than ever before, companies are expected to remunerate managing and monitoring bodies based on performance, while providing incentives for forward-looking sustainable action. RWE meets these demands. Nevertheless, we have refined the Executive Board remuneration system in close co-operation with investors. We will present the new rules to the 2021 Annual General Meeting for approval. The following commentary focuses on the compensation regulations for fiscal 2020.

Structure and level of Supervisory Board remuneration

The remuneration paid to the members of the Supervisory Board for fiscal 2020 was based on a resolution passed by the 2013 Annual General Meeting and is governed by the provisions of the Articles of Incorporation of RWE AG. It complies with all of the recommendations of the current version of the German Corporate Governance Code (GCGC) which was published on 16 December 2019.

The Chairman of the Supervisory Board of RWE AG 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 annual compensation (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 regarding their compensation for 2019.

In total, the remuneration of the Supervisory Board (excluding the reimbursement of out-of-pocket expenses) amounted to €2,880,000 in fiscal 2020 (previous year: €3,304,000). Of this sum, €480,000 (previous year: €465,000) was remuneration paid for mandates on committees of the Supervisory Board and €100,000 (previous year: €543,000) was remuneration paid for mandates at subsidiaries of RWE AG.

In accordance with Section 113 of the German Stock Corporation Act, we will present a Supervisory Board remuneration scheme to the Annual General Meeting on 28 April 2021 for approval. We are considering proposing to the shareholders an increase in remuneration for committee work.

The remuneration of all individuals who served on the Supervisory Board in 2019 and / or 2020 is shown in the table overleaf.

Supervisory Board remuneration ¹	Fixed remuneration		Remuneration for committee offices		Remuneration for mandates at subsidiaries ²		Total remuneration ³	
	2020	2019	2020	2019	2020	2019	2020	2019
€ '000								
Dr. Werner Brandt, Chairman	300	300	-	-	-	-	300	300
Frank Bsirske, Deputy Chairman	200	200	-	-	-	143	200	343
Michael Bochinsky	100	100	40	40	-	-	140	140
Reiner Böhle (until 18 Sep 2019)	-	72	-	14	-	-	-	86
Sandra Bossemeyer	100	100	20	20	-	-	120	120
Martin Bröker	100	100	-	-	-	-	100	100
Anja Dubbert (since 27 Sep 2019)	100	26	20	1	-	-	120	27
Matthias Dürbaum (since 27 Sep 2019)	100	26	20	1	-	-	120	27
Ute Gerbaulet	100	100	-	-	-	-	100	100
Prof. Dr. Hans-Peter Keitel	100	100	20	20	-	-	120	120
Dr. h. c. Monika Kircher	100	100	40	30	-	-	140	130
Monika Krebber (until 18 Sep 2019)	-	72	-	14	-	86	-	172
Harald Louis	100	100	20	20	20	20	140	140
Dagmar Mühlenfeld	100	100	20	20	-	-	120	120
Peter Ottmann	100	100	20	20	-	-	120	120
Günther Schartz	100	100	20	20	-	-	120	120
Dr. Erhard Schipporeit	100	100	80	80	-	215	180	395
Dr. Wolfgang Schüssel	100	100	20	25	-	-	120	125
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	2,296	480	465	100	543	2,880	3,304

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 sum totals.

Structure of Executive Board remuneration

Overview. The structure and level of the Executive Board's remuneration are determined by the Supervisory Board and reviewed on a regular basis to determine whether they are appropriate and in line with generally accepted principles. The remuneration system described in the following was introduced with effect from 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 component.

At its meeting on 25 June 2020, the Supervisory Board fundamentally reformed the remuneration system, in order to align it even more closely with the objectives of the company and the demands of our stakeholders. The amendments relate to various matters, including the long-term share-based payment, personal investment in RWE shares, and the financial consequences of misconduct. With a few exceptions, the old rules applied to the Executive Board's remuneration in 2020. These are described in more detail in the following. We have provided information on the major changes at the end of the chapter on page 96.

Recipients of Executive Board remuneration. In the financial year that just ended, Rolf Martin Schmitz, Markus Krebber, Michael Müller and Zvezdana Seeger received compensation for their work on the Executive Board of RWE AG.

- Rolf Martin Schmitz (63) has been a member of the Executive Board since 1 May 2009 and its Chairman since 15 October 2016. Concurrently, he was the Labour Director from May 2017 to October 2020. He will retire from the Executive Board as of 30 April 2021.
- Markus Krebber (48) was appointed to the Executive Board with effect from 1 October 2016 and has been CFO since 15 October 2016. His tenure on the Executive Board runs through to 30 June 2026, and he will assume chairmanship as of 1 May 2021.

- Michael Müller (49) was appointed to the Executive Board for an initial period of three years with effect from 1 November 2020. He will become CFO as of 1 May 2021.
- Zvezdana Seeger (56) also joined the Executive Board of RWE AG on 1 November 2020. She is the Labour Director and responsible for HR and IT. Her first tenure is also limited to three years.

Fixed compensation and pension instalments. The members of the Executive Board of RWE AG receive a fixed annual salary, which is paid in 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. By contrast, Rolf Martin Schmitz, who belonged to the Executive Board before the pension instalment was introduced, receives a pension commitment (see page 88).

The pension instalment is paid in cash or retained in part or in full in exchange for a pension commitment of equal value. The accumulated capital may be drawn on retirement, but not before the Executive Board member turns 62. 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 also includes fringe benefits, primarily consisting of company cars and accident insurance premiums.

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 individual bonus is what is referred to as the 'company bonus', which depends on the level of EBIT of relevance to remuneration in the fiscal year in question. The basis for determining this figure is adjusted EBIT (EBIT minus the non-operating result). The rules of Executive Board remuneration stipulate that the Supervisory Board may modify adjusted EBIT to make this figure more suitable for measuring management performance. Such adjustments

can relate to gains on disposals, changes in provisions, as well as impairments and their consequences. This converts adjusted EBIT to EBIT of relevance to remuneration.

The company bonus is determined as follows: the Supervisory Board sets a target as well as a floor and a ceiling for EBIT of relevance to remuneration at the beginning of every fiscal year. After the end of the fiscal year, the actual level of adjusted EBIT and EBIT of relevance to remuneration resulting from the modifications explained earlier are determined. If the latter is identical to the target, the target achievement is 100%. In this case, the company bonus equals the contractually agreed baseline bonus. If EBIT of relevance to remuneration is exactly at the pre-defined floor, target achievement is 50%; if it is at the ceiling, target achievement is 150%. Between the two limits, target achievement is calculated by linear interpolation. If EBIT of relevance to remuneration is below the floor, no company bonus is paid. If the ceiling is exceeded, the maximum target achievement remains 150%.

In addition to the company bonus, the individual performance factor determines the level of bonus paid to each Executive Board member. The performance factor depends on the achievement of: (1) individual goals, (2) general collective goals, and (3) collective goals in relation to corporate responsibility and employee motivation. The aforementioned target categories are each weighted by one-third. After the end of every fiscal year, the Supervisory Board evaluates the individual performance of the Executive Board members relative to the three aforementioned categories. In so doing, it orients itself towards the degree to which the targets set at the beginning of the year have been met. Degrees of achievement can range between 0% and 200%. However, the derivable performance factor is limited to between 80% and 120%. This means that the performance factor for an Executive Board member with a 150% target achievement is only 120%.

The company bonus, multiplied by the individual performance factor, results in the bonus for each Executive Board member. This is paid in full after the end of the fiscal year.

Deviating from the aforementioned rules, it was agreed that the individual performance factor for the two months of work last year of Zvezdana Seeger and Michael Müller, who joined the Executive Board as of 1 November 2020, only be determined based on the achievement of individual goals. Therefore, the collective goals in categories (2) and (3) were disregarded.

Share-based payment. Executive Board members are granted a share-based payment, which rewards the achievement of long-term goals. For fiscal 2020, this was done for the last time under the 2016 – 2020 Strategic Performance Plan (SPP). The two following criteria are used by the SPP in measuring the degree to which goals are achieved in a fiscal year: the total return of the RWE share, which is made up of the share price and the dividend (performance), and net income of relevance to remuneration. As set out earlier, major aspects of the share-based payment have been modified. The changes were implemented in the 2021 SPP, which has been in effect since the beginning of the current year. The following commentary concerns the old SPP.

The 2016 – 2020 SPP is based on performance shares with a term (vesting period) made up of the fiscal year to which they relate and the three subsequent years. At the beginning of a fiscal year, Executive Board members receive a grant letter, in which they are informed of their personal gross allocation amount. The new Executive Board members Zvezdana Seeger and Michael Müller received their allocation when they took office in November. The number of performance shares is calculated by dividing the gross grant amount by the average closing quotation of the RWE share over the last 30 days of trading on Xetra before the respective grant year. However, the allocation is provisional. The final number of fully granted performance shares to be allocated is determined after the respective grant year.

Under the 2016 – 2020 SPP, the reconciliation of the conditionally granted performance shares to the finally granted performance shares is oriented towards net income of relevance to remuneration, which is determined by making modifications to adjusted net income. The allowable modifications are governed by the SPP conditions and ensure that actual earnings can be compared to the predetermined target figures even in cases of unforeseen events such as rights issues, acquisitions, disposals and changes in regulations.

The Supervisory Board determines the target figures for net income of relevance to remuneration at the beginning of the fiscal year on the basis of the company's medium-term plan. It also establishes the ceilings and floors. Accordingly, the 2016 – 2020 SPP takes the following approach: if the actual and target figure are identical, 100% of the conditionally granted performance shares are fully allocated. If the actual figure is exactly at the floor, 50% of the conditionally granted performance shares are fully allocated; if it is at the ceiling, the final grant amounts to 150%. If the actual figure is below the floor, all of the conditionally granted performance shares lapse. If the ceiling is exceeded, the maximum grant remains 150%.

Pursuant to the 2016 – 2020 SPP, the performance shares are fully paid out in cash to the Executive Board member three years after the final grant. This means that the payment for the 2018, 2019 and 2020 tranches is still outstanding. The level of the payment depends on the performance of the RWE share. It corresponds to the final number of performance shares multiplied by the sum of the average closing Xetra quotation of the RWE share on the last 30 trading days of the vesting period and the dividends accumulated in the last three years. 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.

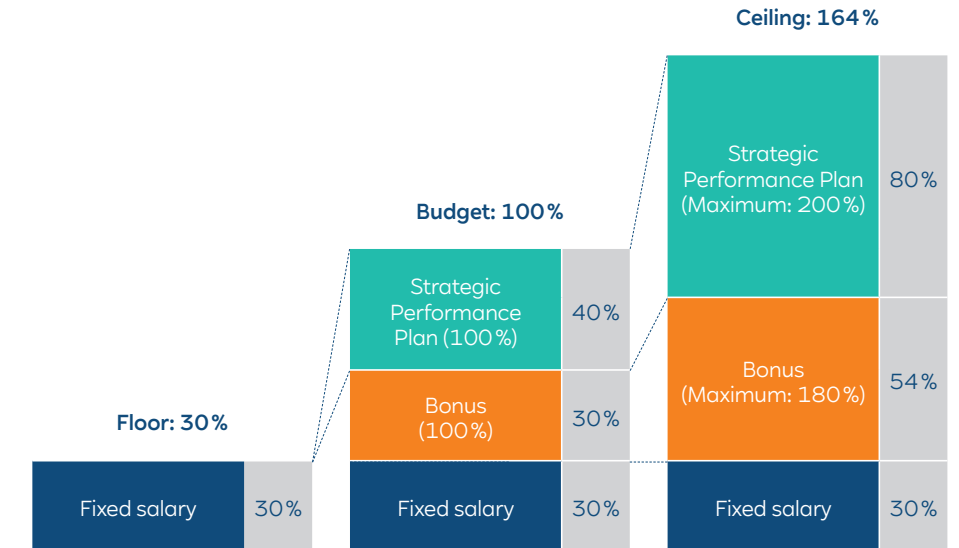
The performance shares remain unaffected after an Executive Board member resigns from their office at the end of their contract and are paid out as planned at the end of the vesting period. If an Executive Board member leaves the company at their own request, or if they are terminated for cause, all of the performance shares that have not reached the end of the vesting period lapse.

Malus and clawback provisions. The 2016 – 2020 SPP contains a malus clause, which allows the Supervisory Board to penalise misconduct by an Executive Board member by shortening or completely eliminating an ongoing SPP tranche. Such misconduct includes the intentional breach of the Code of Conduct, the compliance guidelines, a major duty set out in the employment contract, or of the duties of care defined by Section 93 of the German Stock Corporation Act.

The contracts of Michael Müller and Zvezdana Seeger, both of whom joined the Executive Board in November 2020, include the extensive malus and clawback provisions of the future remuneration system. These provisions allow the Supervisory Board to claw back performance-linked compensation that has already been paid (bonus and share-based payment) in part or in full if the consolidated financial statements are found to contain errors. Above and beyond that, in the event of misconduct by an Executive Board member, the Supervisory Board can exercise its discretion in reducing or cancelling any variable compensation for the fiscal year with which the breach of duty is associated. If the variable remuneration for the fiscal year in question has already been paid, the Supervisory Board can demand that it be returned in part or in full. The malus and clawback provisions shall not prejudice the obligation of the Executive Board member to compensate the company for damages.

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 fully counted towards the bonus (Schmitz / Krebber) or fixed remuneration (Müller / Seeger) and therefore did not increase the total remuneration.

Range of Executive Board remuneration

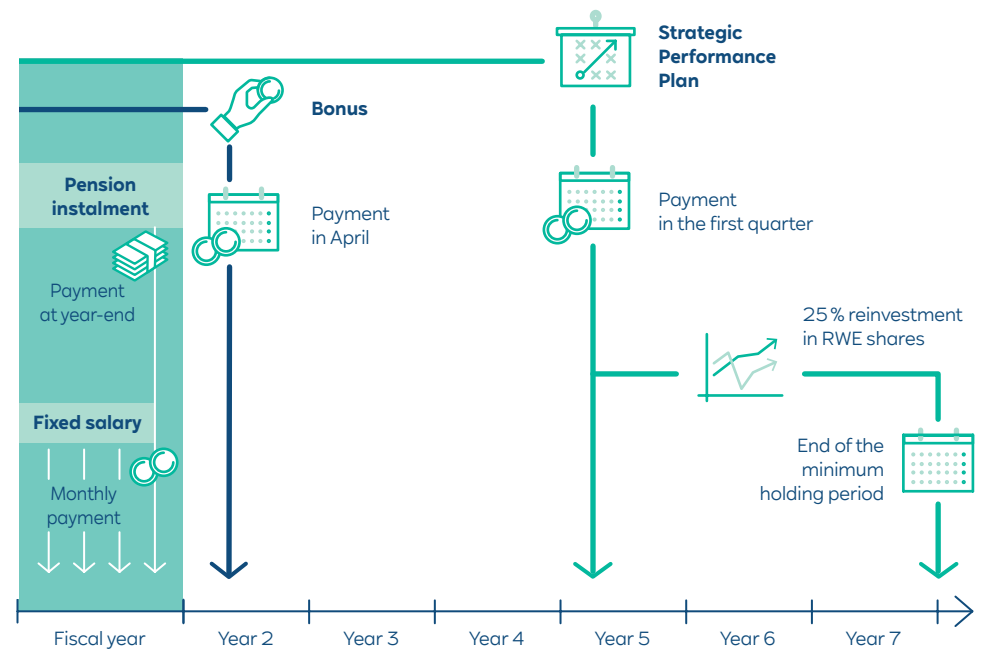


Remuneration broken down by component. Assuming that both the company and the Executive Board members achieved their performance targets to a degree of 100%, the compensation structure would roughly have broken down as follows: 30% of total remuneration would have been accounted for by the fixed salary, another 30% by the bonus, and 40% by long-term compensation under the 2016 – 2020 SPP.

Limitation of Executive Board remuneration. The chart above shows the percentage shares of the components of Executive Board remuneration in 2020. The company bonus was limited to 150% of the contractually agreed bonus budget and the individual performance factor was capped at 120%. Consequently, a maximum of 180% of the bonus budget could be reached. With regard to share-based payment under the 2016 – 2020 SPP, payout of the performance shares after the vesting period was limited to a maximum of 200% of the grant budget. Due to the above maximum values, there was also a cap on total compensation, which amounted to 164% of the budget.

Payment dates. Executive Board members receive their fixed salary in monthly instalments. The pension instalment is paid out at the end of the year, unless it is converted into a pension commitment. After the fiscal year, the Supervisory Board determines the target achievement for the company bonus and establishes the individual performance factor. The bonus is paid in April. For performance shares from the SPP, the payment is made in the first quarter following the end of the vesting period. As explained earlier, Executive Board members must invest 25% of the payment in RWE shares and may not sell 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 described earlier on 1 January 2011, pension benefits were granted to the members of the Executive Board. Of the Executive Board members in 2020, this only applies to Rolf Martin Schmitz; the pension commitment made to him in 2009 remains unchanged. It entitles him to life-long retirement benefits in the event of retirement from the Executive Board of RWE AG upon turning 60, 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 based on the years of service determine his individual pension and surviving dependants' benefits.

Change of control. The contracts of Rolf Martin Schmitz and Markus Krebber contain change-of-control clauses, which consist of the following main provisions: 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 can resign from the Executive Board and 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 due to a change of control, 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 annual remuneration, which encompasses all compensation components including fringe benefits but excluding the SPP.

In the event of a change of control, all of the performance shares granted under the 2016 – 2020 SPP that have been finally allocated but not been paid out are paid out early. Conversely, performance shares conditionally granted by the date of the change of control lapse without replacement or consideration.

The latest version of the GCGC suggests that no benefits be pledged in the event of the early termination of an employment contract by an Executive Board member due to a change of control. We adhere to this principle in all newly concluded employment contracts. In the event of a change of control, Zvezdana Seeger and Michael Müller, who were appointed to the Executive Board as of 1 November 2020, do not have a special right of termination or a right to severance. The same will apply to Markus Krebber from 1 May 2021 onwards, when he succeeds Rolf Martin Schmitz as CEO.

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 is made (severance cap).

Level of Executive Board remuneration (according to HGB) € '000	Rolf Martin Schmitz		Markus Krebber		Michael Müller ¹		Zvezdana Seeger ¹		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-performance-based:	1,181	1,183	1,145	1,085	156	-	154	-	2,636	2,268
Fixed remuneration ²	1,160	1,160	800	763	108	-	108	-	2,176	1,923
Pension instalments ³	-	-	300	300	43	-	43	-	386	300
Fringe benefits	21	23	45	22	5	-	3	-	74	45
Performance-based:	3,084	3,032	2,187	2,271	297	-	297	-	5,865	5,303
Bonus (short-term)	1,584	1,782	1,087	1,171	130	-	130	-	2,931	2,953
of which: credited remuneration for mandates ²	85	115	40	146	-	-	-	-	129	261
Value of performance shares at grant ⁴ (long-term)	1,500	1,250	1,100	1,100	167	-	167	-	2,934	2,350
Total remuneration	4,265	4,215	3,332	3,356	453	-	451	-	8,501	7,571

1 Michael Müller and Zvezdana Seeger joined the Executive Board on 1 November 2020.

2 Income of Michael Müller and Zvezdana Seeger from the exercise of Supervisory Board offices within the Group counts towards fixed pay and not the bonus; in 2020, it amounted to €7,000 for Michael Müller, whereas Zvezdana Seeger did not have any such income.

3 The pension instalment paid to Markus Krebber, Michael Müller and Zvezdana Seeger is part of their remuneration under the German Commercial Code (HGB), but this does not apply to the annual service cost of the pension commitment to Rolf Martin Schmitz.

4 The German Commercial Code mandates the statement of the fair value as of the grant date.

Level of Executive Board remuneration

The remuneration of the Executive Board of RWE AG is calculated in compliance with the rules set out in the German Commercial Code (HGB). The members of the Executive Board received €8,501,000 in total remuneration for their work in fiscal 2020 compared to €7,571,000 in the previous year when the board was made up of two members. The remuneration components are shown in the table above.

EBIT of relevance to remuneration, the basis for calculating the bonus, amounted to €1,830 million in the fiscal year that just ended. It differs from adjusted EBIT (€1,771 million) in that we made certain modifications to it to neutralise exceptional effects that could not be

foreseen when establishing the target figure. One such modification related to the dividend on the 15% stake in E.ON, which was considered in the EBIT target because it had not been decided at the time that we would recognise it in the financial result. Moreover, a correction was made to income from investments that was unexpectedly high due to timing effects. A further adjustment related to impairments recognised in 2019, the knock-on effects of which were not taken into account in the target value and were therefore eliminated. The adjusted EBIT target derived from the medium-term plan was €1,556 million (target achievement of 100%), with a floor of €856 million (target achievement of 50%) and a ceiling of €2,256 million (target achievement of 150%). These figures and the actual figure result in a target achievement of 120% for 2020. This means that the company bonus was 20% higher than the bonus budget established at the beginning of the year.

Calculation of the 2020 company bonus	2020 €million	Target achievement %
Adjusted EBIT	1,771	-
Modifications ¹	59	-
EBIT of relevance to remuneration	1,830	120
Target	1,556	100
Ceiling	2,256	150
Floor	856	50

1 See commentary on the previous page.

The Supervisory Board found that Rolf Martin Schmitz and Markus Krebber overachieved the individual and collective targets. The main success factors were the completion of the asset swap with E.ON and the progress made in transforming RWE into a leading renewable energy company. The Supervisory Board is of the opinion that the repeated strong performance of the RWE share is proof of the capital market's endorsement of RWE's growth strategy. Of notable mention was the Executive Board setting the stage for the accelerated expansion of wind and solar capacity through the capital increase of August 2020 and the acquisition of Nordex's European project development business. The conclusion of the public law contract with the German government on the conditions of the lignite phaseout and its socially acceptable provisions also contributed to the high degree of target achievement. Goals associated with employee motivation, which is measured via regular in-company surveys, were slightly exceeded. The degrees of target achievement with respect to CR goals, which mainly relate to the carbon footprint of the generation portfolio, occupational safety as well as conformity with compliance, environmental and social standards, were between 95 % and 120%. Messrs. Schmitz and Krebber fell 5 % short of the carbon footprint target set for the generation portfolio due to delays in the completion of renewable energy assets, which in some cases were due to COVID-19. In view of the problem-free familiarisation process of Michael Müller and Zvezdana Seeger, the Supervisory Board determined that these two new Executive Board members reached an individual target achievement of 100%. As set out earlier, this assessment did not take account of any of the collective goals.

Calculation of the 2020 individual bonus		Rolf Martin Schmitz	Markus Krebber	Michael Müller	Zvezdana Seeger
Bonus budget	€'000	1,100	755	108	108
Target achievement regarding EBIT of relevance to remuneration	%	120	120	120	120
Company bonus	€'000	1,320	906	130	130
Individual performance factor	%	120	120	100	100
Individual bonus	€'000	1,584	1,087	130	130

Rolf Martin Schmitz and Markus Krebber each had a target achievement of 132%. Due to the cap, their individual performance factor was 120%, whereas that of Michael Müller and Zvezdana Seeger was 100%. Multiplying these figures by the company bonus results in the amount of individual bonus granted to each Executive Board member. It totalled €1,584,000 for Rolf Martin Schmitz, €1,087,000 for Markus Krebber, €130,000 for Michael Müller and €130,000 for Zvezdana Seeger.

Calculation of the 2020 tranche of the Strategic Performance Plan	2020 €million	Target achievement %
Adjusted net income	1,213	-
Modifications ¹	-170	-
Net income of relevance to remuneration	1,043	104
Target	1,007	100
Ceiling	1,507	150
Floor	507	50

1 See commentary on the next page.

The German Commercial Code stipulates that the long-term performance-based remuneration component is the fair value of the performance shares granted on a preliminary basis at the beginning of a fiscal year. As set out on pages 85 et seq., the level of the final grant depends on the development of net income of relevance to remuneration in the fiscal year compared to a predefined target. The latter was set by the Supervisory Board at €1,007 million for 2020 (grant of 100%). The floor was €507 million (grant of 50%) and the ceiling was €1,507 million (grant of 150%). The actual amount of €1,043 million led to a target achievement of 104%. This means that the final grant of performance shares for 2020 was 4% higher than the preliminary grant.

Net income of relevance to remuneration is adjusted net income (€1,213 million) minus several exceptional items. As mentioned on page 89, we made a downward correction to the unexpectedly high income from investments and eliminated knock-on effects of impairments. A further modification related to the tax rate, which is used to calculate adjusted net income. It currently amounts to 15%, whereas the target was determined based on a tax rate of 20%.

Long-term incentive payment (Strategic Performance Plan): 2020 tranche		Rolf Martin Schmitz	Markus Krebber	Michael Müller	Zvezdana Seeger
Grant date		1 Jan 2020	1 Jan 2020	1 Nov 2020	1 Nov 2020
Fair value at grant date	€ '000	1,500	1,100	167	167
Share price (average)	€	26.41	26.41	26.41	26.41
Number of performance shares allocated on a provisional basis		56,797	41,651	6,311	6,311
Measurement date of performance conditions		31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2020
Target achievement in relation to net income of relevance to remuneration	%	104	104	104	104
Final number of fully granted performance shares		59,069	43,317	6,563	6,563
End of vesting period		31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023

Long-term incentive payment (Strategic Performance Plan): 2017 – 2019 tranches		Rolf Martin Schmitz			Markus Krebber		
		Year	2019	2018	2017	2019	2018
Tranche							
Grant date		1 Jan 2019	1 Jan 2018	1 Jan 2017	1 Jan 2019	1 Jan 2018	1 Jan 2017
Fair value at grant date	€ '000	1,250	1,250	1,250	1,100	1,100	988
Share price (average)	€	19.10	18.80	11.62	19.10	18.80	11.62
Number of performance shares allocated on a provisional basis		65,445	66,489	107,573	57,592	58,511	84,983
Measurement date of performance conditions		31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2019	31 Dec 2018	31 Dec 2017
Target achievement in relation to net income of relevance to remuneration	%	150	123	115	150	123	115
Final number of fully granted performance shares		98,168	81,781	123,709	86,388	71,969	97,730
End of vesting period		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2022	31 Dec 2021	31 Dec 2020

The table below shows the increase in provisions to cover obligations from share-based payments under the SPP.

Addition to provisions for long-term share-based incentive payments € '000	2020	2019
Rolf Martin Schmitz	2,527	2,726
Markus Krebber	2,096	1,982
Michael Müller	54	-
Zvezdana Seeger	54	-
Total	4,731	4,708

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz amounted to €595,000 in 2020 (previous year: €554,000). This is not a remuneration component in accordance with the German Commercial Code. As of year-end, the present value of the defined benefit obligation determined in accordance with IFRS amounted to €16,441,000 (previous year: €14,997,000). The present value of the pension obligation determined according to the German Commercial Code totalled €13,166,000 (previous year: €11,894,000). It therefore increased by €1,272,000 (previous year: €1,360,000). Based on the emoluments qualifying for a pension as of 31 December 2020, the projected annual pension paid to Rolf Martin Schmitz on retiring from the company totalled €556,000, as in the previous year. This includes vested pension benefits due from former employers transferred to RWE AG.

Presentation of Executive Board remuneration in accordance with the GCGC (2017)

In designing and presenting the remuneration system, we also follow the recommendations of the German Corporate Governance Code. Last year, we oriented ourselves towards the version of the Code dated 7 February 2017, which was in force at the time. It was replaced by the version of 16 December 2019, which was introduced on 20 March 2020. The new GCGC no longer contains recommendations regarding the presentation of management board compensation, as opposed to the old version of the Code, which recommended the use of specific model tables. The Government Commission responsible for the Code is of the opinion that reporting on remuneration is now sufficiently regulated by the German law on the implementation of the Second Shareholder Rights Directive (ARUG II). However, the corresponding rules pursuant to German stock corporation law become mandatory for fiscal 2021 and later. To avoid gaps in transparency, we are presenting the Executive Board's remuneration for 2020 using the model tables from the 2017 GCGC once again.

The following tables show:

- the benefits granted for the reporting year including fringe benefits as well as the theoretical maximum and minimum amounts of variable compensation;
- payments of fixed remuneration, short-term variable remuneration and long-term variable remuneration by year of receipt; and
- the cost of pensions and other benefits.

Benefits or compensation are considered granted when a binding commitment to such is made to the management board member. In deviation from German commercial law, it is immaterial 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. We also take this approach in presenting the payments made under the 2016 – 2020 SPP.

This distinction described above 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 needed to determine target achievement (and therefore the bonus) are known with sufficient certainty. It is assumed 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.

Benefits granted	Rolf Martin Schmitz Chief Executive Officer since 15 October 2016				Markus Krebber Chief Financial Officer since 15 October 2016				Michael Müller Member of the Executive Board since 1 November 2020				Zvezdana Seeger Chief HR Officer / Labour Director since 1 November 2020			
	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual	2020 (Min.)	2020 (Max.)	2020 Actual	2019 Actual
€ '000																
Fixed remuneration	1,160	1,160	1,160	1,160	800	800	800	763	108	108	108	-	108	108	108	-
Pension instalment	-	-	-	-	300	300	300	300	43	43	43	-	43	43	43	-
Fringe benefits	21	21	21	23	45	45	45	22	5	5	5	-	3	3	3	-
Total fixed remuneration	1,181	1,181	1,181	1,183	1,145	1,145	1,145	1,085	156	156	156	-	154	154	154	-
One-year variable remuneration (bonus)	0	1,980	1,100	1,100 ¹	0	1,359	755	723 ¹	0	195	108	-	0	195	108	-
Multi-year variable remuneration (SPP)	0	3,000	1,500	1,250	0	2,200	1,100	1,100	0	333	167	-	0	333	167	-
2019 tranche (term: 2019 – 2022)	-	-	-	1,250	-	-	-	1,100	-	-	-	-	-	-	-	-
2020 tranche (term: 2020 – 2023)	0	3,000	1,500	-	0	2,200	1,100	-	0	333	167	-	0	333	167	-
Total variable remuneration	0	4,980	2,600	2,350	0	3,559	1,855	1,823	0	528	275	-	0	528	275	-
Total variable and fixed remuneration	1,181	6,161	3,781	3,533	1,145	4,704	3,000	2,908	156	684	431	-	154	682	429	-
Service cost	595	595	595	554	-	-	-	-	-	-	-	-	-	-	-	-
Total remuneration	1,776	6,756	4,376	4,087	1,145	4,704	3,000	2,908	156	684	431	-	154	682	429	-

1. Figures restated due to the change in the method used to state the bonus.

Benefits received	Rolf Martin Schmitz Chief Executive Officer since 15 October 2016		Markus Krebber Chief Financial Officer since 15 October 2016		Michael Müller Member of the Executive Board since 1 November 2020		Zvezdana Seeger Chief HR Officer / Labour Director since 1 November 2020	
	2020	2019	2020	2019	2020	2019	2020	2019
€ '000								
Fixed remuneration	1,160	1,160	800	763	108	-	108	-
Pension instalment	-	-	300	300	43	-	43	-
Fringe benefits	21	23	45	22	5	-	3	-
Total fixed remuneration	1,181	1,183	1,145	1,085	156	-	154	-
One-year variable remuneration (bonus)	1,584	1,782	1,087	1,171	130	-	130	-
Multi-year variable remuneration (SPP)	2,500	1,538	1,975	494	-	-	-	-
Payment from the 2016 tranche	-	1,538	-	494	-	-	-	-
Payment from the 2017 tranche	2,500	-	1,975	-	-	-	-	-
Total variable remuneration	4,084	3,320	3,062	1,665	130	-	130	-
Total variable and fixed remuneration	5,265	4,503	4,207	2,750	286	-	284	-
Service cost	595	554	-	-	-	-	-	-
Total remuneration	5,860	5,057	4,207	2,750	286	-	284	-

New Executive Board remuneration system as of 2021

As set out earlier, we refined our Executive Board remuneration system in order to bring it in line with the current statutory requirements and the expectations of our stakeholders. The new rules have been in force since 1 January 2021. We maintained the basic structure of the remuneration system. This means that Executive Board compensation still consists of fixed remuneration, the pension instalment, the performance-based bonus and the share-based payment. A detailed presentation of the new remuneration system can be found in the invitation to this year's Annual General Meeting, to which we will submit the system for approval. The invitation has been published at www.rwe.com/agm.

The following is a brief overview of some major new rules:

- In the future, share-based payments will orientate to two additional success factors: the carbon footprint of our generation portfolio and the relative total shareholder return, which puts the total return of the RWE share in relation to that of other European utility stocks. These two indicators and the development of net income of relevance to remuneration will determine how many of the conditionally granted performance shares are finally granted at the end of the performance period. This period, which in the past only comprised the fiscal year in question, will be extended to three years in the new remuneration system. Once it ends, all three criteria will be given equal weight in calculating the final grant. Thereafter, the performance shares must be held for a further year. Therefore, the vesting period will still be four years.

- A new element included in the remuneration system is the Shareholder Ownership Guidelines (SOGs) which serve to further align the interests of the Executive Board and the shareholders. The SOGs obligate the members of the Executive Board to have a minimum personal investment in RWE shares and to hold the shares during and two years after their tenure on the Executive Board. The personal investment quota is 100% of annual gross fixed remuneration for ordinary Executive Board members and 200% for the Chairman. Every year, at least 25% of variable gross remuneration paid must be invested in RWE shares until the target amount is reached.
- Another major new feature is a clawback mechanism, which supplements the existing demerit rule. As set out in more detail on page 86, in the event of misconduct, an Executive Board member may be requested to return the variable remuneration already paid. The old malus rule did not go that far: it simply allowed SPP tranches that had not been paid yet to be reduced or withheld.

Since 2021, the employment contracts of Michael Müller and Zvezdana Seeger have reflected all the amendments to the remuneration system. This also applies to Markus Krebber as of 1 May 2021 when he becomes CEO. It was decided not to amend the conditions of the contract of Rolf Martin Schmitz, who will resign from the Executive Board at the end of April.