

1.12 Remuneration report

The capital market expects companies to have performance-linked remuneration systems which bring the interests of management in line with those of the company's owners. Another demand is that Executive Board members be rewarded if their company applies the principles of sustainable development and takes its responsibility vis-à-vis society seriously. RWE's remuneration system meets these requirements. Despite this, we want to refine it and have already worked closely with investors to this end. This year, the Supervisory Board of RWE AG will finalise the new rules and present them to the 2021 Annual General Meeting for a vote.

Structure of Supervisory Board remuneration

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 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 for their compensation for 2018. For the new members who joined the Board in 2019, this self-imposed obligation begins when the remuneration for fiscal 2019 is paid at the beginning of 2020.

Level of Supervisory Board remuneration

In total, the remuneration of the Supervisory Board (excluding out-of-pocket expenses) amounted to €3,304,000 in fiscal 2019 (previous year: €3,480,000). Of this sum, €465,000 (previous year: €460,000) was

remuneration paid for mandates on committees of the Supervisory Board and €543,000 (previous year: €720,000) was remuneration paid for mandates at subsidiaries.

The remuneration of all individuals who have served on the Supervisory Board in 2018 and/or 2019 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	
	2019	2018	2019	2018	2019	2018	2019	2018
€ '000								
Dr. Werner Brandt, Chairman	300	300	-	-	-	-	300	300
Frank Bsirske, Deputy Chairman	200	200	-	-	143	200	343	400
Michael Bochinsky (since 1 Aug 2018)	100	42	40	17	-	-	140	59
Reiner Böhle (until 18 Sep 2019)	72	100	14	20	-	-	86	120
Sandra Bossemeyer	100	100	20	20	-	-	120	120
Martin Bröker (since 1 Sep 2018)	100	33	-	-	-	-	100	33
Anja Dubbert (since 27 Sep 2019)	26	-	1	-	-	-	27	-
Matthias Dürbaum (since 27 Sep 2019)	26	-	1	-	-	-	27	-
Ute Gerbaulet	100	100	-	-	-	-	100	100
Reinhold Gispert (until 31 Jul 2018)	-	58	-	23	-	-	-	81
Andreas Henrich (until 31 Aug 2018)	-	67	-	-	-	-	-	67
Prof. Dr. Hans-Peter Keitel	100	100	20	20	-	-	120	120
Dr. h. c. Monika Kircher	100	100	30	-	-	-	130	100
Monika Krebber (until 18 Sep 2019)	72	100	14	20	86	120	172	240
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 Scharz	100	100	20	20	-	-	120	120
Dr. Erhard Schipporeit	100	100	80	80	215	300	395	480
Dr. Wolfgang Schüssel	100	100	25	40	-	-	125	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	2,296	2,300	465	460	543	720	3,304	3,480

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

Fundamentals. 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 contract expires on 30 June 2021. Markus Krebber was appointed to this corporate body with effect from 1 October 2016 and has been in charge of finance since 15 October 2016. His tenure on the Executive Board runs 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 78).

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 EBIT of relevance to remuneration in the relevant fiscal year. The basis for determining this figure is adjusted EBIT (EBIT minus the non-operating result). We calculated adjusted EBIT for 2019 and the preceding year using the method set out on

page 69. This means that innogy, the subsidiary acquired by E.ON in September 2019, is considered only in terms of the dividend payment it owes to RWE. The rules of Executive Board remuneration stipulate that the Supervisory Board may modify adjusted EBIT to make this figure more suitable for measuring 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 EBIT 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%. Target achievement is adjusted linearly between the two limits. 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%.

To calculate the individual bonus, the company bonus is multiplied by a factor reflecting the personal performance of the Executive Board member in question. This 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. 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%.

After the end of every fiscal year, the Supervisory Board evaluates the individual performance of the Executive Board members relative to the three categories 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.

Share-based payment. Executive Board members are granted a payment under the Strategic Performance Plan (SPP), which rewards the achievement of long-term goals. The key determinant of success is the total return of the RWE common share, which is made up of the share price and the dividend (performance). The link between

compensation and the performance of the share price over the long term motivates the Executive Board to consider the interests of the company's owners when taking decisions. Another of the SPP's success factors is net income of relevance to remuneration of the fiscal year in question. This key figure is derived from adjusted net income, which is arrived at by deducting the non-operating result and other exceptional items including their effects on income taxes from net income. Like adjusted EBIT, we calculated it using the method described on page 69, with innogy being considered only in terms of the dividend payment it owes RWE. The conditions of the SPP allow the Supervisory Board to make limited modifications to adjusted net income in predefined cases in order to arrive at net income of relevance to remuneration. Such modifications may be made as long as they reflect the impact of unforeseeable events such as capital measures, acquisitions, sales and regulatory changes.

The 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. 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.

Only after the end of the fiscal year is the number of fully granted performance shares determined. It depends on the net income of relevance to remuneration in the fiscal year in question. 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 net income of relevance to remuneration, 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 is fully allocated. If net income of relevance to remuneration 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%. At a level 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 finally granted 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 30 days of trading on Xetra leading to the end 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 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 vesting period 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.

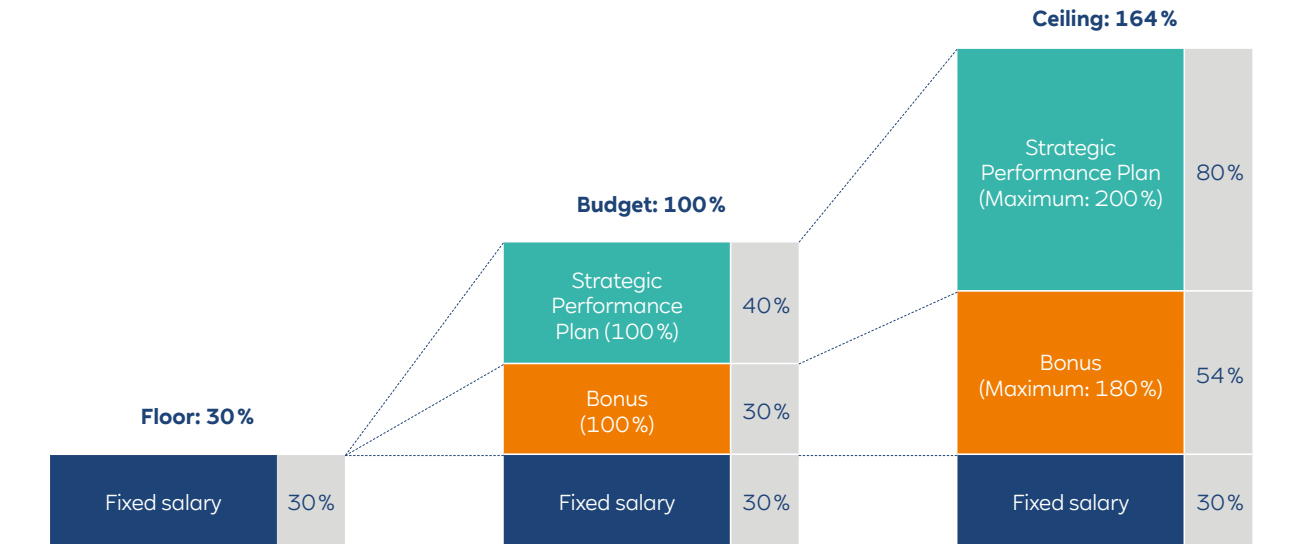
When the SPP was introduced in 2016, the Supervisory Board established a transitional tranche for 2016 and three further regular tranches for 2017, 2018 and 2019. In doing so, it also determined target figures for adjusted net income and the aforementioned ceilings and floors. The SPP conditions stipulate 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. One major modification was made relating to the 2018 and 2019 tranches: instead of deriving adjusted net income from net income according to IFRS, it was calculated using the method explained earlier, with innogy being considered only in terms of the dividend it owes RWE. Accordingly, the target figures for the ceiling and floor of net income of relevance to remuneration were also adjusted retrospectively.

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.

Remuneration broken down by component. 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 (80% to 120%), 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 the diagram on the next page).

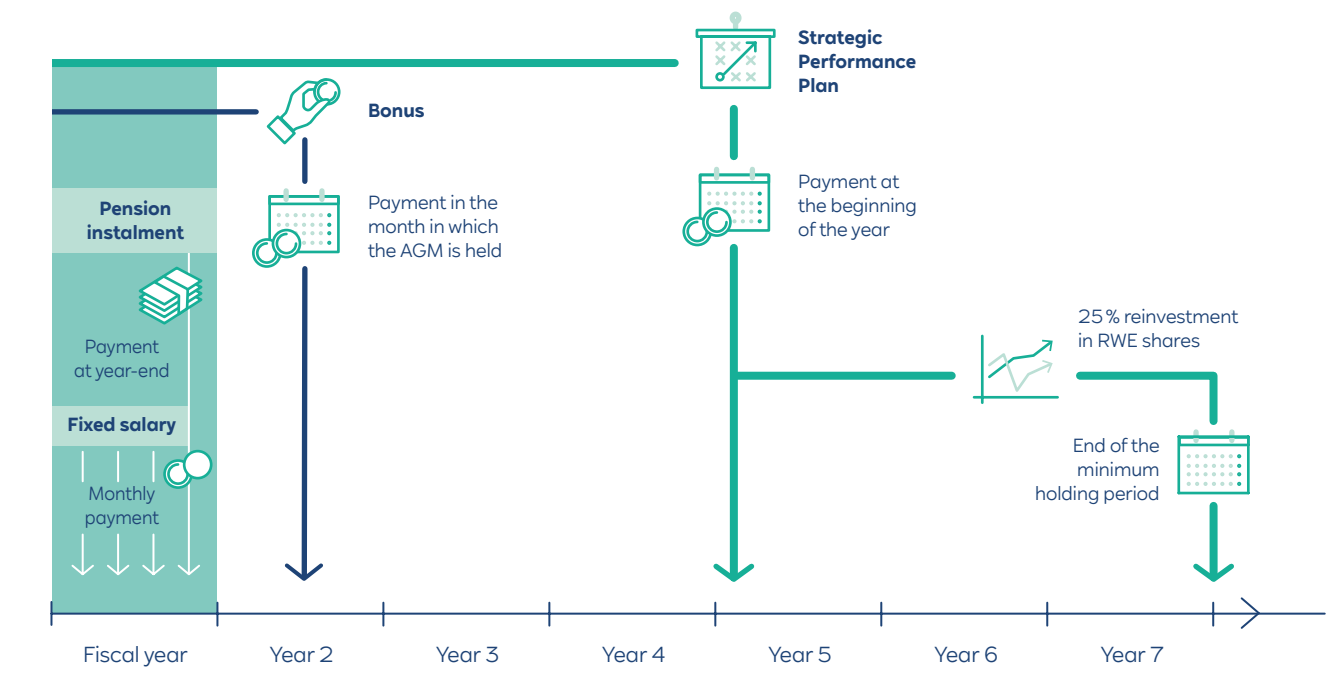
Range of Executive Board remuneration



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 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 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 as of 1 January 2011 described earlier, pension benefits were granted to the members of the Executive Board. Of the Executive Board members in 2019, 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 German Corporate Governance Code (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).

Refinement of the remuneration system planned. Last year, we discussed ways to refine the Executive Board's remuneration system with representatives of institutional investors. One of the objectives was to meet the demands of the world's capital markets, which have become more exigent over time. With the help of investor feedback, we started revising major parts of the system. However, we have maintained its basic structure. The new features are set to be approved by the Supervisory Board of RWE AG this year and applied to all new employment contracts thereafter. Furthermore, we intend to put them up for a vote at the 2021 Annual General Meeting.

The Supervisory Board passed a resolution to continue the Strategic Performance Plan, which used to encompass tranches only for 2016 to 2019 without any changes for the time being. Accordingly, new target ceilings and floors have been established for net income of relevance to remuneration.

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. The members of the Executive Board received €7,571,000 in total remuneration for their work in fiscal 2019.

The previous year's figure was €6,880,000. The remuneration components are shown in the following table.

Level of Executive Board remuneration (according to HGB) € '000	Dr. Rolf Martin Schmitz		Dr. Markus Krebber		Total	
	2019	2018	2019	2018	2019	2018
Non-performance-based	1,183	1,180	1,085	1,066	2,268	2,246
of which:						
Fixed remuneration	1,160	1,160	763	750	1,923	1,910
Pension instalments ¹	-	-	300	300	300	300
Fringe benefits	23	20	22	16	45	36
Performance-based	3,032	2,636	2,271	1,998	5,303	4,634
Bonus (short-term)	1,782	1,386	1,171	898	2,953	2,284
of which:						
credited remuneration for mandates ²	115	115	146	180	261	295
Value of performance shares at grant ³ (long-term)	1,250	1,250	1,100	1,100	2,350	2,350
Total remuneration	4,215	3,816	3,356	3,064	7,571	6,880

1 The pension instalment paid to Markus Krebber is part of his 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.

2 Income from the exercise of Supervisory Board offices within the Group are fully deducted from the bonus.

3 The German Commercial Code mandates the statement of the value of the grant at the beginning of the fiscal year.

EBIT of relevance to remuneration, the basis for calculating the bonus, amounted to €1,207 million in the fiscal year that just ended. It differs from adjusted EBIT (€1,412 million) in that we make certain modifications to it to neutralise effects that are not considered in the target figures. For example, when determining the target figure, we did not consider any income from the potential reinstatement of the British capacity market. The effect on income of the delayed capacity payments for 2018 and 2019 was

therefore eliminated from the actual figure. The EBIT target derived from the medium-term plan was €786 million (target achievement of 100%), with a floor of €186 million (target achievement of 50%) and a ceiling of €1,386 million (target achievement of 150%). These figures result in a target achievement of 135% for 2019. This means that the company bonus was 35% higher than the bonus budget established at the beginning of the year.

Calculation of the 2019 company bonus	2019 € million	Target achievement %
Adjusted EBIT	1,412	-
Adjustments ¹	-205	-
EBIT of relevance to remuneration	1,207	135
Target	786	100
Ceiling	1,386	150
Floor	186	50

1 See commentary above.

The Supervisory Board found that the Executive Board overachieved the individual and collective targets. The main success factors were the rapid implementation of the asset swap with E.ON and the progress made in transforming RWE into a leading renewable energy company. The compromise reached with the German government on the lignite phaseout and the Executive Board's further development of RWE's strategy to reflect the future of renewable energy and electricity generation from coal were also rewarded. The above-average performance of the RWE share and investor feedback demonstrated that the capital market welcomes the new strategy. Requirements in relation to employee motivation, which is regularly measured using internal surveys, were also met to a degree of at least 100%. With one exception, this also applies to the CR targets, which primarily related to the CO₂ intensity of the

generation portfolio, occupational safety, and adherence to compliance, environmental and social standards. The only target that was missed concerned the number of work-related accidents which, at 2.1 for every one million hours worked, exceeded the predefined upper limit of 1.9.

Each of the Executive Board members had a target achievement of 153%. Due to the cap, the individual performance factor was 120%. Multiplying this figure by the company bonus (135%) results in a factor of 162%. The latter translates into the individual bonus, which amounted to €1,782,000 for Rolf Martin Schmitz and €1,171,000 for Markus Krebber. These sums correspond to 1.62 times the predetermined budgeted figures of €1,100,000 (Schmitz) and €723,000 (Krebber).

Calculation of the 2019 tranche of the Strategic Performance Plan	2019 € million	Target achievement %
Adjusted net income	1,210	-
Adjustments ¹	- 363	-
Net income of relevance to remuneration	847	150
Target	51	100
Ceiling	351	150
Floor	- 249	50

1 See commentary.

The German Commercial Code stipulates that the long-term performance-based remuneration component is the value of the performance shares granted on a preliminary basis at the beginning of a fiscal year. As set out on page 75, the level of the full 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 €51 million for 2019 (grant of 100%). The floor was -€249 million (grant of 50%) and the ceiling was €351 million (grant of 150%). The amount actually achieved was €847 million (after modifications), which corresponds to a target achievement of 150%. This means that the final grant of performance shares for 2019 was 50% higher than the preliminary grant.

Net income of relevance to remuneration is adjusted net income (€1,210 million) minus several exceptional items. For example, we recognised significant impairments for power stations in the 2016 consolidated financial statements, which had not yet been included in the medium-term plan at the time and cause depreciation and amortisation to be much lower now. We eliminated this effect on depreciation and amortisation. The same applies to the income we received in the British generation business due to the retroactive capacity payments we received for 2018.

Long-term incentive payment: Strategic Performance Plan		Dr. Rolf Martin Schmitz			
Tranche	Year	2019	2018	2017	2016
Grant date		1 Jan 2019	1 Jan 2018	1 Jan 2017	1 Jan 2016
Fair value at grant date	€ '000	1,250	1,250	1,250	769
Share price (average)	€	19.10	18.80	11.62	13.78
Number of performance shares allocated on a provisional basis		65,445	66,489	107,573	55,787
Measurement date of performance conditions		31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2017
Target achievement in relation to net income of relevance to remuneration	%	150	123	115	115
Final number of fully granted performance shares		98,168	81,781	123,709	64,155
End of vesting period		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019

Long-term incentive payment: Strategic Performance Plan		Dr. Markus Krebber			
Tranche	Year	2019	2018	2017	2016
Grant date		1 Jan 2019	1 Jan 2018	1 Jan 2017	1 Jan 2016
Fair value at grant date	€ '000	1,100	1,100	988	247
Share price (average)	€	19.10	18.80	11.62	13.78
Number of performance shares allocated on a provisional basis		57,592	58,511	84,983	17,915
Measurement date of performance conditions		31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2017
Target achievement in relation to net income of relevance to remuneration	%	150	123	115	115
Final number of fully granted performance shares		86,388	71,969	97,730	20,602
End of the vesting period		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019

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

Addition of provisions for long-term share-based incentive payments	2019	2018
€ '000		
Dr. Rolf Martin Schmitz	2,726	1,413
Dr. Markus Krebber	1,982	934
Total	4,708	2,347

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz amounted to €554,000 in 2019 (previous year: €536,000). 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 €14,997,000 (previous year: €13,370,000). The present value of the pension obligation determined according to the German Commercial Code totalled €11,894,000

(previous year: €10,534,000). The pension obligation for 2019 increased by €1,360,000 (previous year: €1,248,000).

Based on the emoluments qualifying for a pension as of 31 December 2019, the projected annual pension of Rolf Martin Schmitz on retiring from the company as of the expiry of his appointment amounted to €556,000 (same as in the previous year). This includes vested pension benefits due from former employers transferred to RWE AG.

Recommendations of the German Corporate Governance Code

In presenting the remuneration system, we also follow the recommendations of the version of the GCGC applicable to 2019, which was published on 7 February 2017. In line with the GCGC, 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 German commercial law, the GCGC stipulates that 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			
	2019 (Min.)	2019 (Max.)	2019	2018	2019 (Min.)	2019 (Max.)	2019	2018
€'000								
Fixed remuneration	1,160	1,160	1,160	1,160	763	763	763	750
Pension instalment	-	-	-	-	300	300	300	300
Fringe benefits	23	23	23	20	22	22	22	16
Total fixed remuneration	1,183	1,183	1,183	1,180	1,085	1,085	1,085	1,066
One-year variable remuneration (bonus)	0	1,980	1,782	1,386	0	1,302	1,171	898
Multi-year variable remuneration (SPP)	0	2,500	1,250	1,250	0	2,200	1,100	1,100
2018 tranche (term: 2018 - 2021)	-	-	-	1,250	-	-	-	1,100
2019 tranche (term: 2019 - 2022)	0	2,500	1,250	-	0	2,200	1,100	-
Total variable remuneration	0	4,480	3,032	2,636	0	3,502	2,271	1,998
Total variable and fixed remuneration	1,183	5,663	4,215	3,816	1,085	4,587	3,356	3,064
Service cost	554	554	554	536	-	-	-	-
Total remuneration	1,737	6,217	4,769	4,352	1,085	4,587	3,356	3,064

Benefits received	Dr. Rolf Martin Schmitz Chief Executive Officer since 15 October 2016		Dr. Markus Krebber Chief Financial Officer since 15 October 2016	
	2019	2018	2019	2018
€ '000				
Fixed remuneration	1,160	1,160	763	750
Pension instalment	-	-	300	300
Fringe benefits	23	20	22	16
Total fixed remuneration	1,183	1,180	1,085	1,066
One-year variable remuneration (bonus)	1,782	1,386	1,171	898
Multi-year variable remuneration (SPP)	1,538	-	494	-
Payment from the 2016 tranche	1,538	-	494	-
Total variable remuneration	3,320	1,386	1,665	898
Total variable and fixed remuneration	4,503	2,566	2,750	1,964
Service cost	554	536	-	-
Total remuneration	5,057	3,102	2,750	1,964