

1.11 COMPENSATION REPORT

We believe that transparent reporting of supervisory and management board compensation is a key element of good corporate governance. In this chapter, we have provided information on the principles of RWE AG's remuneration system as well as its structure and benefits. The 2016 compensation report adheres to all statutory regulations and is fully compliant with the recommendations of the German Corporate Governance Code.

Structure of Supervisory Board compensation

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

The members of the Audit Committee receive an additional remuneration of €40,000. This additional payment is increased to €80,000 for the Chair of this committee. With the exception of the Nomination Committee, the members and the Chairs of all the other Supervisory Board committees receive an additional €20,000 and €40,000 in compensation, 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 hold several offices in this corporate body concurrently only receive compensation for the highest-paid position. Compensation for functions performed by Supervisory Board members for only part of a fiscal year is prorated.

In addition to the remuneration paid, out-of-pocket expenses are reimbursed. Certain 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 obligations 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. In the past year, all of the members of the Supervisory Board who do not relinquish their compensation and remained members of the body after the elections to the Supervisory Board in April 2016 met this self-imposed obligation in relation to their compensation for the 2015 financial year. For the new members elected to the Board in April 2016, this self-imposed obligation will apply to the compensation for fiscal 2016, which was paid out at the start of fiscal 2017. Consequently, we will only be able to report on fulfilment of the self-imposed obligation by the new and re-elected members in the 2017 compensation report.

Level of Supervisory Board compensation

In total, the emoluments of the Supervisory Board (including compensation for committee mandates) amounted to €2,746,000 in fiscal 2016 (previous year: €2,720,000). Of this sum, €442,000 (previous year: €420,000) was remuneration paid for mandates on committees of the

Supervisory Board. In addition to this, there was compensation from subsidiaries for the exercise of mandates in the amount of €482,000 (previous year: €265,000). Total compensation amounted to €3,228,000 (excluding expenses, previous year: €2,985,000).

The total remuneration of all who have served on the Supervisory Board in 2015 and 2016 and the compensation included for mandates exercised on Supervisory Board committees is shown in the following table.

Supervisory Board compensation ¹	Fixed compensation		Compensation for committee offices		Total compensation ²		Compensation for mandates at subsidiaries	
	2016	2015	2016	2015	2016	2015	2016	2015
€ '000								
Dr. Werner Brandt, Chairman	240	100	24	80	264	180	130	-
Dr. Manfred Schneider, Chairman (until 20 April 2016)	91	300	-	-	91	300	-	-
Frank Bsirske, Deputy Chairman	200	200	-	-	200	200	86	-
Reiner Böhle	100	100	20	20	120	120	48	30
Sandra Bossemeyer (since 20 April 2016)	70	-	14	-	84	-	-	-
Dieter Faust (until 20 April 2016)	30	100	12	40	42	140	12	40
Roger Graef (until 20 April 2016)	30	100	-	-	30	100	-	-
Arno Hahn	100	100	40	40	140	140	54	30
Andreas Henrich (since 20 April 2016)	70	-	-	-	70	-	-	-
Maria van der Hoeven (20 April to 14 October 2016)	49	-	-	-	49	-	12	-
Manfred Holz (until 20 April 2016)	30	100	6	20	36	120	6	20
Prof. Dr. Hans-Peter Keitel	100	100	20	20	120	120	-	-
Dr. h. c. Monika Kircher (since 15 October 2016)	21	-	-	-	21	-	-	-
Martina Koederitz (since 20 April 2016)	70	-	-	-	70	-	33	-
Monika Krebber (since 20 April 2016)	70	-	14	-	84	-	-	-
Friethof Kühn (until 20 April 2016)	30	100	6	20	36	120	-	-
Hans Peter Lafos (until 20 April 2016)	30	100	-	-	30	100	12	53
Harald Louis (since 20 April 2016)	70	-	14	-	84	-	-	-
Christine Merkamp (until 20 April 2016)	30	100	-	-	30	100	-	-
Dagmar Mühlenfeld	100	100	20	20	120	120	-	-
Peter Ottmann (since 20 April 2016)	70	-	14	-	84	-	8	-
Günther Schartz (since 20 April 2016)	70	-	14	-	84	-	2	-
Dr. Erhard Schipporeit (since 20 April 2016)	70	-	56	-	126	-	-	-
Dagmar Schmeer (until 20 April 2016)	30	100	-	-	30	100	-	12
Prof. Dr.-Ing. Ekkehard D. Schulz (until 20 April 2016)	30	100	12	40	42	140	-	-
Dr. Wolfgang Schüssel	100	100	34	20	134	120	-	-
Ullrich Sierau	100	100	40	40	140	140	-	-
Ralf Sikorski	100	100	40	40	140	140	50	50
Marion Weckes (since 20 April 2016)	70	-	28	-	98	-	-	-
Dr. Dieter Zetsche (until 20 April 2016)	30	100	-	-	30	100	-	-
Leonhard Zubrowski	100	100	20	20	120	120	30	30
Total	2,303	2,300	442	428	2,746	2,729	482	265

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

2 The commercial rounding of certain figures representing the fixed and committee compensation can result in the sum of the rounded figures deviating from the rounded total emoluments.

Structure of Executive Board compensation

Overhaul of the compensation system. The structure and level of Executive Board member compensation 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. In the year under review, the Supervisory Board initiated a fundamental restructuring of the existing compensation system.

The new system was effective from 1 October 2016. It builds on proven elements of the old system, but is less complex and has been adapted to the Group's changed structure. It is described in more detail in the following. Additionally, we have presented the old compensation system, which was in place until 30 September 2016.

Transition year. Fiscal 2016 was a transition year for RWE, marked by the organisational restructuring of the Group and the commencement of operations and public listing of innogy SE. This resulted in changes to the composition of the Executive Board. When innogy started operating on 1 April 2016, Peter Terium, Bernhard Günther and Uwe Tigges were appointed members of the Executive Board of the new company in addition to the offices they already held on the Executive Board of RWE AG. After the successful IPO of innogy SE, Peter Terium and Bernhard Günther resigned from the Executive Board of RWE AG with effect from the end of the day on 14 October 2016 in order to work solely for innogy. Uwe Tigges will resign from his office on the Executive Board of RWE AG on 30 April 2017; until then, he will be responsible for human resources for both companies.

The compensation granted for the period during which Peter Terium, Bernhard Günther and Uwe Tigges were appointed to the Executive Board of both innogy SE and RWE AG was mutually offset pro-rata.

Rolf Martin Schmitz has been the Chairman of the Executive Board of RWE AG since 15 October 2016. Markus Krebber is a new member of this Board. He was appointed as a member of the Executive Board of RWE AG on 1 October 2016 and as CFO of the company starting from 15 October 2016.

Effective from 1 October 2016, all members of the Executive Board received new employment contracts based on the new compensation system. In relation to fiscal 2016, rules on transition and phasing-out the old system were agreed upon to transfer compensation components from the old system into the new compensation system. Peter Terium, Bernhard Günther and Uwe Tigges concluded new employment contracts with innogy SE with effect from 1 October 2016. Their employment contracts with RWE AG were cancelled early by mutual agreement with effect from 30 September 2016.

Principles of the old and new compensation systems.

The remuneration of the Executive Board is made up of non-performance and performance-based components. In both the previous and new system, the former consisted of the fixed salary, the pension instalment and non-cash remuneration and other emoluments. There were fundamental changes in the performance-based components. Up until 30 September 2016, these components included the annual bonus, the bonus retention and share-based payment according to the Long-Term Incentive Plan Beat 2010 and the Mid-Term Incentive Plan introduced in 2014 to reduce the debt level. Since 1 October 2016 there are only two performance-based components: the annual bonus and, as a long-term compensation component, a share-based payment according to the new Strategic Performance Plan.

Non-performance-based compensation

Fixed compensation and pension instalments. All Executive Board members receive an annual salary, which is paid in twelve monthly instalments. As a second fixed compensation component, since 1 January 2011 all members of the Executive Board are entitled to a pension instalment, with the exception of Rolf Martin Schmitz, who had already been granted a pension commitment. Up until 30 September 2016, the pension instalment was equivalent to 15% of the target cash compensation, i.e. the sum of

their base salary and the baseline bonus amount, which is described later on.

Since 1 October 2016, an individually defined amount is set for the members of the Executive Board. They can choose whether the sum 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 60, or – for new commitments since 1 January 2012 – before the member turns 62. The Executive Board members can choose between a one-time payment and a maximum of nine instalments. Executive Board members and their surviving dependants do not receive any further benefits. Vested retirement benefits from earlier activities remain

unaffected by this. The corresponding pension commitments of Peter Terium, Bernhard Günther and Uwe Tigges were transferred to innogy SE.

Non-cash and other remuneration. Non-performance-based compensation components also include non-cash and other remuneration, consisting primarily of the use of company cars and accident insurance premiums.

Performance-based compensation

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 goals individually. The starting point for calculating the bonus is what is referred to as the company bonus. Up until 30 September 2016, this was based on the degree to which the target for adjusted EBIT set at the beginning of the corresponding financial year was achieved. Looking forward, this bonus will also be oriented to adjusted EBIT, but it will be measured against a target figure set by the Supervisory Board independently of the planned target. If the actual figure is identical to the planned or target figure after a year, the target achievement is 100%. In this case, the bonus paid equals the agreed baseline bonus. Depending on the level of adjusted EBIT, the company bonus paid can equal between 0% and 150% of the baseline bonus amount.

The performance of individual Executive Board members is considered by multiplying the company bonus by a performance factor. This can range between 0.8 and 1.2. Under the system in place up until 30 September 2016, depending on the degree to which the Executive Board member achieves his or her individual goals, which are established by the Supervisory Board at the beginning of the year, the Supervisory Board assesses the degree to which the Executive Board member has achieved the individual goals and determines the performance factor accordingly. The performance factor was expanded on 1 October 2016. In addition to the individual targets, it is one-third based on each of the following: collective performance of the Executive Board, performance in the fields of corporate responsibility and employee motivation.

The corporate responsibility criterion reflects the company's environmental and social work, and is derived from the sustainability reporting. Employee motivation is determined based on the motivation index, which measures employee commitment and satisfaction based on anonymous surveys. At the end of the fiscal year, the Supervisory Board assesses the performance of the Executive Board members relative to these criteria and determines the performance factor.

As 2016 was a transitional year, it was not possible to simply calculate the company bonus using the formula on the basis of the original planned figures. Consequently, for this transition year, the company bonus was determined based on an assessment by the Supervisory Board.

In the new compensation system, payment of the entire bonus occurs after the end of the fiscal year and after the determination of the company bonus and the performance factor. The previous retention of 25% of the bonus (bonus retention), which is described in the following, is no longer applied since 1 October 2016. At the same time, the bonus budget has been reduced by 25%, in favour of reinforcing the share-based payment component. Furthermore, as described above, aspects such as corporate responsibility and employee motivation are now taken into consideration directly as part of the bonus.

Bonus retention (old). For the bonuses up to and including fiscal 2015, RWE only paid out 75% of the amounts to the members of the Executive Board immediately. The remaining 25% was retained for three years (bonus retention). At the end of the three-year period, a review based on what is termed a 'bonus-malus factor' was conducted by the

Supervisory Board, in order to determine whether the Executive Board had managed the company sustainably. The retained bonus was only paid out if this was the case. A 45% share of the bonus-malus factor was based on the company's economic success, which was measured according to the development of adjusted EBIT. Another 45% of the bonus-malus factor was determined based on the company-specific index for corporate responsibility. The remaining 10% of the bonus-malus factor resulted from the level of the motivation factor. Before the three-year period, the Supervisory Board established binding target figures for adjusted EBIT, the CR Index, and the Motivation Index. These were then compared to the actual figures at the end of the period. The better the actual figures were, the higher the bonus-malus factor was. It could range between 0% and 150%.

With the IPO of innogy SE and the ensuing changes, the planned targets for adjusted EBIT, the CR index and the Motivation Index are no longer relevant. As a result, in the past fiscal year the Supervisory Board decided on the early payment of the outstanding bonus amounts retained from fiscal 2013, 2014 and 2015. The individual payment amounts were determined on the basis of the historical bonus-malus factors which the individual members of the Executive Board had achieved on average. Bonus retention was not applied for fiscal 2016, with this element being transitioned into the share-based payment as a long-term compensation component.

Share-based payment according to the Long-Term Incentive Plan Beat 2010 (old). Up until the end of 2015, the performance-based compensation components included the 'performance shares' which were allocated as part of the Long-Term Incentive Plan Beat 2010 (known as 'Beat'). The Beat programme aims to reward the Executive Board and the executives for the sustainability of the contribution they make to the company's success. Performance shares grant their holders the conditional right to receive a payout in cash following a vesting period of four (optionally up to five) years. However, a payout only takes place if the total return on the RWE common share – consisting of the return on the share price, dividend and subscription right – is better than the total return of at least 25% of the peer group companies included in the STOXX Europe 600 Utilities at the end of the vesting period. When performance is measured, the peer group companies are given the same weighting as they had in the reference index at the inception of the corresponding Beat tranche.

If RWE outperformed 25% of the index weighting, 7.5% of the performance shares were paid out. The proportion of performance shares that matured increased by 1.5 percentage points for every further percentage point by which the index weighting was exceeded. Payment was based on the payout factor as determined above, on the average RWE share price during the last 60 trading days prior to the expiry of the programme, and on the number of allocated performance shares. Payment for Executive Board members was limited to one-and-a-half times the value of the performance shares at grant. Executive Board members were able to participate in Beat on condition that they made a personal investment in RWE common shares. The required investment was equal to one third of the value of the grant after taxes. The shares had to be held for the respective Beat tranche's entire vesting period.

With the introduction of the new compensation system, the Strategic Performance Plan, which is described below, took the place of Beat in fiscal 2016. In order to be eligible to participate in the new plan, the members of the Executive Board voluntarily renounced all outstanding Beat tranches (2013, 2014 and 2015 tranches). The performance shares allocated from these tranches lapsed, and the Executive Board members did not receive any compensatory payments for such shares.

Mid-Term Incentive Plan (old). In the old compensation system, the other performance-based component was the Mid-Term Incentive Plan (MTIP), which was introduced in 2014 and lasted for the three-year period until the end of 2016. The key performance indicator on which the MTIP was based is RWE's leverage factor, which is the ratio of net debt to adjusted EBITDA. The plan was designed to assist management in bringing all suitable measures and efforts in the Group in line with the objective of re-establishing a healthy and sustainable ratio of indebtedness to earning power.

The MTIP supplemented the Beat 2010 long-term incentive plan, the budget of which was cut in half for the duration of the MTIP. The other half was covered by the MTIP grant budget. The goal of this plan was to reduce the leverage factor to 3.0 by the end of 2016. If this requirement was satisfied precisely, the members of the Executive Board were paid 100% of the budgeted allocation. Any additional reduction of the leverage factor would have increased the payment in a linear fashion up to a maximum of 150% of the budgeted allocation. This upper limit would have corresponded to a factor of 2.7. Conversely, the payment

would have been reduced if the factor had exceeded the 3.0 target. At a leverage factor of 3.3, the members of the Executive Board receive 50% of the budgeted allocation. If it was higher than that, no payment was made.

At the end of fiscal 2016, the one-off MTIP programme was settled. As the leverage factor was higher than 3.3, no payment was made from the MTIP.

Share-based payment according to the Strategic Performance Plan (new). In the new compensation system, the Strategic Performance Plan (SPP) replaces the previous programme 'Beat' as the share-based payment component, as well as the MTIP and bonus retention. The SPP reflects the organisational restructuring of the RWE Group and rewards the achievement of long-term goals. For this reason, separate Strategic Performance Plans were introduced for RWE AG and innogy SE. In terms of the implementation and timing, the plans of both companies are very similar. There are differences: for example, each plan uses the shares and indicators of the respective company, RWE AG or innogy SE, as the yardsticks for measuring performance.

As the SPP is oriented to the achievement of long-term, future goals, Peter Terium, Bernhard Günther and Uwe Tigges all received their full allocation from the SPP of innogy SE for the 2016 transition year. From the perspective of the RWE Group, this compensation component for the above three members of the Executive Board is treated as share-based payment and is reported as such in the compensation report. However, in the individual financial statements of RWE AG, the compensation for Peter Terium, Bernhard Günther and Uwe Tigges attributable to innogy SE's SPP is classified as non-share-based payment. The reason for this is that the amount of the payment does not depend on the performance of RWE AG shares, but rather on the performance of innogy SE shares.

The conditions of the SPPs for RWE AG and innogy SE envisage a tranche in the transition year 2016 and three further tranches, which will begin in fiscal 2017, 2018 and 2019. Allocation of the performance shares described below occurs retrospectively to 1 January of the fiscal year in question. Executive Board members receive a personalised grant letter specifying the gross grant value (in euros) set by the Supervisory Board and the number of performance shares conditionally granted.

As in Beat, the SPP is also based on conditionally allocated performance shares. Initially, for each tranche the number of conditionally allocated performance shares is calculated for each Executive Board member. This is done by dividing the individual allocation value by the average closing quotation of the RWE share or the innogy share on the last 30 days of trading on Xetra before the grant. The conditionally granted performance shares have a vesting period of four years. Deviating from this procedure, in the transition year 2016, the calculation of the number of performance shares allocated conditionally for fiscal 2016 was made from the date of the IPO of innogy SE and is thus based on the average closing quotation of the RWE share or innogy share on the first ten days of trading on Xetra starting on 7 October 2016.

The final number of performance shares of the tranche is determined after the end of the first year. It depends on the adjusted net income (ANI) achieved by the company in relation to a target figure set by the Supervisory Board and can range between 0% and 150% of the conditionally allocated performance shares. If the target ANI figure established for the year is achieved exactly, 100% of the conditionally allocated performance shares of the tranche is fully vested. The ANI targets for fiscal 2017, 2018 and 2019 were established by the Supervisory Board in fiscal 2016 and, as a rule, cannot be changed.

The number of performance shares that become fully vested in this manner is fully paid out in cash after a holding period of another three years. The level of the payment is calculated by multiplying the fully vested performance shares by the average closing quotation of the RWE or innogy share on the last 30 days of trading on Xetra before the end of the vesting period and adding to this the dividend which is paid during the holding period. The payment calculated by this method is limited to 200% of the individual allocation value.

For fiscal 2016, the share-based payment will be fully granted based on the SPP. The ANI performance measurement for this tranche will be done concurrently to the performance measurement of the 2017 SPP tranche, based on ANI for 2017. The determination of the fully vested performance shares will be followed by a holding period of two years for the 2016 tranche. The vesting period for the 2016 tranche thus expires at the end of fiscal 2019.

As previously in the Beat programme, the members of the Executive Board are obliged to make a personal investment in the company. For this purpose, 25% of the sum paid after the end of the holding period, minus applicable tax, must be invested in RWE and innogy shares, which must then be held for another three years.

In anticipation of the amendments to the German Corporate Governance Code (GCGC) expected in 2017, the SPP contains a demerit provision. For instance, it empowers the Supervisory Board of RWE AG or innogy SE to punish serious violations of the company's Code of Conduct by reducing or completely voiding ongoing SPP tranches.

Compensation 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 their bonus and therefore does not increase the total remuneration.

Shares of total compensation accounted for by the individual components. Assuming that both the company and the members of the Executive Board fully achieve their performance targets for the fiscal year, the compensation structure roughly breaks down as follows: the non-performance-based components, i.e. the fixed salary, pension instalment, non-cash remuneration and other emoluments, make up about 30% of total compensation. Approximately 23% was allocable to short-term variable remuneration, i.e. bonuses paid directly. In fiscal 2016, the long-term compensation components – formerly consisting of the bonus retention and Beat, but will consist of SPP going forward – were affected by the early payment of the outstanding bonus retention amounts for the years 2013, 2014 and 2015, and consequently amounted to 47% of the total compensation.

End of tenure benefits. Under certain conditions, Executive Board members also receive benefits from RWE when they retire from the Executive Board. These benefits are described below.

Pension scheme. Before the introduction of the pension instalment as of 1 January 2011, a pension commitment was made to the members of the Executive Board. Of the current members of the Executive Board, this only applies to Rolf Martin Schmitz; his pension commitment remains unchanged. It is an entitlement to life-long retirement

benefits granted to beneficiaries in the event of retirement upon reaching the company age limit, of permanent disability, or of early termination or non-extension of the employment contract by the company. In the event of death, surviving dependants are entitled to benefits. The amount of qualifying income and the level of benefits determined by the duration of service are taken as a basis for the pension and surviving dependants' benefits.

Change in corporate control/merger. Members of the Executive Board have the right to terminate their employment contract in the event that shareholders or third parties obtain control over the companies and this would be linked to significant disadvantages for the Executive Board member in question. In such a case, they may resign from their position within six months of the change of control and request the termination of their employment contract and receive a one-off payment.

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.

Upon termination of their employment contracts, Executive Board members receive a one-off payment equalling the compensation due until the end of the duration of their contract. This amount shall not be higher than three times their total contractual annual compensation. The share-based payments under the SPP are not considered here.

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

Early termination and severance cap. If an Executive Board mandate is otherwise terminated early without due cause, a severance payment of no more than two total annual compensations and no more than the remuneration due until the end of the employment contract is made.

Level of Executive Board compensation

On a Group basis, the Executive Board remuneration presented below was calculated in compliance with the rules set out in the German Commercial Code. It considers the compensation granted to the members of the Executive Board during their tenure in fiscal 2016. Accordingly, for Peter Terium and Bernhard Günther the period until 14 October 2016 is taken into account, and for Markus Krebber the period starting from 1 October 2016 is taken into account. From a Group perspective, for Uwe Tigges, we also report the compensation which was granted to him by innogy SE after completion of the new employment contract up until 31 December 2016.

Total compensation for fiscal 2016. Calculated in accordance with the German Commercial Code, the Executive Board of RWE AG received a total of €15,486,000 in compensation for fiscal 2016. The compensation of Peter Terium, Bernhard Günther and Uwe Tigges also considers the prorated emoluments they were paid in fiscal 2016 for the period during which they were appointed to the Executive Board of RWE AG, but which were borne or paid by innogy SE. The corresponding prior-year figure was €11,373,000.

Level of the individual compensation components. In 2016, non-performance-based components amounted to €4,471,000 (previous year: €4,943,000). Pursuant to the disclosure regulations of the German Commercial Code, the annual service cost of pension commitments is not recognised as compensation, but rather as part of the pension payment. The latter amounted to €360,000 (previous year: €480,000 for the full year) for Peter Terium,

€191,000 (previous year: €255,000 for the full year) for Bernhard Günther and €255,000 (for the full year) for Uwe Tigges. In 2016, Markus Krebber received a prorated pension instalment of €64,000. Bernhard Günther turned his instalment into a pension commitment of equal value through a gross compensation conversion.

Performance-based components amounted to a total of €11,015,000 (previous year: €6,430,000) of which €4,115,000 (previous year: €3,925,000) was attributable to the bonus for fiscal 2016 paid directly and €2,987,000 (previous year: €1,750,000) to the allocation from the Strategic Performance Plan. With the conclusion of the new contracts, the bonuses retained for fiscal 2013, 2014 and 2015 were released early, based on individualised, historical target achievement and are contained in the stated performance-based compensation components in the amount of €3,913,000.

The prorated bonus retention for fiscal 2016 (for the period up to 30 September) was not retained; during the transition year, it was transferred on this one occasion to the Strategic Performance Plan and is thus reported as a part of the long-term compensation components.

The MTIP programme ended on 31 December 2016 without any payment to members of the Executive Board.

The following table summarises the short-term remuneration paid in accordance with the German Commercial Code for the 2016 financial year.

Short-term Executive Board compensation ¹	Peter Terium		Dr. Rolf Martin Schmitz		Dr. Bernhard Günther		Uwe Tigges		Dr. Markus Krebber		Total	
	until 14 Oct 2016				until 14 Oct 2016				since 1 Oct 2016			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
€ '000												
Non-performance-based compensation												
Fixed compensation	1,050	1,400	960	960	563	750	750	750	188	-	3,511	3,860
Fringe benefits (company car, accident insurance)	23	36	19	13	24	23	20	21	4	-	90	93
Other payments (pension instalments)	360	480	-	-	191	255	255	255	64	-	870	990
Total	1,433	1,916	979	973	778	1,028	1,025	1,026	256	-	4,471	4,943
Performance-based compensation												
Direct bonus payment	1,224	1,395	962	811	635	701	861	721	133	-	3,815	3,628
Remuneration for mandate ²	27	47	150	150	25	60	20	40	78	-	300	297
Bonus	1,251	1,442	1,112	961	660	761	881	761	211	-	4,115	3,925
Total	2,684	3,358	2,091	1,934	1,438	1,789	1,906	1,787	467	-	8,586	8,868

1 In deviation from the table, from the perspective of the individual companies of RWE AG, non-performance-based compensation amounted to €955,000 for Peter Terium, €519,000 for Dr. Bernhard Günther and €641,000 for Uwe Tigges; the performance-based compensation amounted to €834,000 for Peter Terium, €440,000 for Bernhard Günther and €550,000 for Uwe Tigges.

2 In 2016, income from exercising intragroup supervisory board offices was fully set off against the prorated bonus paid by RWE AG.

Payment of the bonuses retained for 2013 to 2015.

The following overview shows the amounts of the bonuses retained for 2013 to 2015 that were paid out early. Of the members of the Executive Board, this involved

Peter Terium, Rolf Martin Schmitz, Bernhard Günther and Uwe Tigges. Their retained bonuses for fiscal 2016 (prorated to 30 September) were transferred into the new Strategic Performance Plan.

Bonus retention	Early release of retained bonuses in fiscal 2016							
	Note: Transfer to SPP 2016 tranche					Historical average target achievement	Payment in September 2016	Previous year
€ '000	2016	2015	2014	2013	2013 – 2015	2013 – 2015	2013 – 2015	2012
Retention for the fiscal year	2016	2015	2014	2013	2013 – 2015	2013 – 2015	2013 – 2015	2012
Peter Terium	338	481	515	444	1,440	101.6%	1,462	366
Dr. Rolf Martin Schmitz	225	320	343	296	959	98.7%	947	293
Dr. Bernhard Günther	178	254	272	234	760	102.8%	781	96
Uwe Tigges	178	254	272	177	703	102.8%	723	-
Total	919	1,309	1,402	1,151	3,862	101.5%	3,913	755

Long-Term Incentive Plan Beat 2010. As explained on page 66, the members of the Executive Board renounced the ongoing Beat tranches to be able to participate in SPP.

Consequently, there were no payments from the Beat programme for 2016.

Strategic Performance Plan. In fiscal 2016, the allocation for Rolf Martin Schmitz and Markus Krebber was made from the SPP of RWE AG. The allocation for Peter Terium, Bernhard Günther and Uwe Tigges was made completely from the SPP of innogy SE, with a view to their new positions. As noted previously, in fiscal 2016, due to the termination of the old compensation system the bonuses retained for the period

up to 30 September were also transferred to the allocation to the members of the Executive Board from the SPP.

The following overview shows the total amounts of performance shares allocated to the members of the Executive Board in 2016 and the amount in which these allocations are attributable to RWE AG.

Long-term incentive payment ¹	Strategic Performance Plan 2016 tranche		Prorated allocation RWE AG	
	Plan	Average share price €	Performance shares	Allocation value at grant € '000
Dr. Rolf Martin Schmitz	RWE AG	13.78	55,787	769
Dr. Markus Krebber	RWE AG	13.78	17,915	247
Total			73,702	1,016
Peter Terium	innogy SE	37.13	21,714	806
Dr. Bernhard Günther	innogy SE	37.13	12,372	459
Uwe Tigges	innogy SE	37.13	19,021	706
Total			53,107	1,971

¹ From a Group perspective, the compensation of Terium, Günther and Tigges are considered to be share-based payment. However, in the compensation information in the individual financial statements of RWE AG this compensation is not considered to be share-based payment, pursuant to HGB. The reason for this is that the amount of the payment does not depend on the price performance of RWE AG shares, but rather on the price performance of innogy SE shares. Pursuant to HGB, in relation to the individual financial statements these allocations are only added to the total emoluments upon fulfilment of the relevant pay-out conditions.

The table below shows the amount of provisions for obligations from the 2013–2015 Beat tranches which were

released and the amounts of provisions transferred to the SPP for the obligation from the 2016 tranche.

Addition (+) or release (-) of provisions for long-term share-based incentive payments (Beat tranches 2013 to 2015)	2016 € '000	2015 € '000
Peter Terium	143	-770
Dr. Rolf Martin Schmitz	141	-463
Dr. Bernhard Günther	82	-221
Dr. Markus Krebber	46	-
Uwe Tigges	134	-144
Total	546	-1,598

Obligations under the former pension scheme. The service cost of pension obligations to Rolf Martin Schmitz that is not considered part of compensation pursuant to German commercial law (see table below) amounted to €229,000 in 2016 (previous year: €581,000). As of year-end, the net present value of the defined benefit obligation determined in accordance with International Financial Reporting Standards (IFRS) amounted to €13,923,000 (previous year: €11,900,000). The value of the pension determined according to the German Commercial

Code totalled €9,894,000 (previous year: €9,459,000). The pension's funding was increased by €435,000 for 2016 (previous year: €1,404,000).

Based on the emoluments qualifying for a pension as of 31 December 2015, the projected annual pension of Rolf Martin Schmitz on his reaching the company age limit amounts to €484,000 as in the previous year. This includes vested pension benefits due from former employers.

Recommendations of the German Corporate Governance Code

According to the version of the German Corporate Governance Code published on 5 May 2015, the total remuneration of management board members comprises the monetary compensation elements, pension commitments, other awards, fringe benefits of all kinds and benefits by third parties which were granted or paid in the financial year with regard to management board work. Unlike under German commercial law, the annual service cost of pension commitments is also part of total compensation.

Item 4.2.5, Paragraph 3 of the Code lists the compensation components that should be disclosed for every management board member. The recommended presentation is illustrated by sample tables that have been used below. The overviews show the benefits granted to the members of the Executive Board of RWE AG for 2016 and the preceding year. As some of these benefits have not yet resulted in payments, the tables also show the level of funds paid to the Executive Board members (see the table 'Payments').

Benefits granted	Dr. Rolf Martin Schmitz Chief Executive Officer since 15 Oct 2016				Dr. Markus Krebber since 1 Oct 2016 Chief Financial Officer since 15 Oct 2016		
	2015	2016	2016 (Min)	2016 (Max)	2016	2016 (Min)	2016 (Max)
€ '000							
Fixed compensation	960	960	960	960	188	188	188
Pension payments	-	-	-	-	64	64	64
Fringe benefits	13	19	19	19	4	4	4
Total fixed compensation	973	979	979	979	256	256	256
One-year variable remuneration	900	900	0	1,620	178	0	320
Bonus	900	900	0	1,620	178	0	320
Multi-year variable remuneration	675	769	0	1,538	247	0	494
Bonus retention 2015 (term: 2016–2018)	300	-	-	-	-	-	-
Bonus retention 2016 ¹	-	-	-	-	-	-	-
LTIP Beat 2015 tranche (term: 2016–2018)	375	-	-	-	-	-	-
LTIP SPP 2016 tranche ² (vesting period: 2016–2019)	-	769	0	1,538	247	0	494
MTIP (vesting period: 2014–2016)	-	-	-	-	-	-	-
Total variable remuneration	1,575	1,669	0	3,158	425	0	814
Total	2,548	2,648	979	4,137	681	256	1,070
Service cost	581	229	229	229	-	-	-
Total compensation	3,129	2,877	1,208	4,366	681	256	1,070

1 In the 2016 transition year, the contractual bonus retention for the period up to 30 September 2016 was not retained and was transferred to the 2016 tranche of the SPP on this one occasion.

2 The allocation contains the bonus retention for the period up to 30 September 2016.

Benefits granted	Uwe Tigges Chief HR Officer/Labour Director			
	2015	2016	2016	2016
			(Min)	(Max)
€ '000				
Fixed compensation	750	750	750	750
Pension payments	255	255	255	255
Fringe benefits	21	20	20	20
Total fixed compensation	1,026	1,025	1,025	1,025
One-year variable remuneration	713	713	0	1,283
Bonus	713	713	0	1,283
Multi-year variable remuneration	612	706	0	1,412
Bonus retention 2015 (term: 2016–2018)	237	-	-	-
Bonus retention 2016 ¹	-	-	-	-
LTIP Beat 2015 tranche (term: 2016–2018)	375	-	-	-
LTIP SPP 2016 tranche ² (vesting period: 2016–2019)	-	706	0	1,412
MTIP (vesting period: 2014–2016)	-	-	-	-
Total variable remuneration	1,325	1,419	0	2,695
Total	2,351	2,444	1,025	3,720
Service cost	-	-	-	-
Total compensation	2,351	2,444	1,025	3,720

1 Instead of the contractual bonus retention for the period up to 30 September 2016, 25% of the bonus budget was transferred to the 2016 tranche of the SPP.

2 The allocation contains the bonus retention for the period up to 30 September 2016.

Benefits granted	Peter Terium Chief Executive Officer until 14 Oct 2016				Dr. Bernhard Günther Chief Financial Officer until 14 Oct 2016			
	2015	2016	2016 (Min)	2016 (Max)	2015	2016	2016 (Min)	2016 (Max)
€ '000								
Fixed compensation	1,400	1,050	1,050	1,050	750	563	563	563
Pension payments	480	360	360	360	255	191	191	191
Fringe benefits	36	23	23	23	23	24	24	24
Total fixed compensation	1,916	1,433	1,433	1,433	1,028	778	778	778
One-year variable remuneration	1,350	1,013	0	1,823	713	534	0	961
Bonus	1,350	1,013	0	1,823	713	534	0	961
Multi-year variable remuneration	1,075	806	0	1,612	612	459	0	918
Bonus retention 2015 (term: 2016–2018)	450	-	-	-	237	-	-	-
Bonus retention 2016 ¹	-	-	-	-	-	-	-	-
LTIP Beat 2015 tranche (term: 2016–2018)	625	-	-	-	375	-	-	-
LTIP SPP 2016 tranche ² (vesting period: 2016–2019)	-	806	0	1,612	-	459	0	918
MTIP (vesting period: 2014–2016)	-	-	-	-	-	-	-	-
Total variable remuneration	2,425	1,819	0	3,435	1,325	993	0	1,879
Total	4,341	3,252	1,433	4,868	2,353	1,771	778	2,657
Service cost	-	-	-	-	-	-	-	-
Total compensation	4,341	3,252	1,433	4,868	2,353	1,771	778	2,657

1 Instead of the contractual bonus retention for the period up to 30 September 2016, 25% of the bonus budget was transferred to the 2016 tranche of the SPP.

2 The allocation contains the bonus retention for the period up to 30 September 2016.

Payments	Dr. Rolf Martin Schmitz Chief Executive Officer since 15 Oct 2016		Dr. Markus Krebber since 1 Oct 2016 Chief Financial Officer since 15 Oct 2016		Uwe Tigges Chief HR Officer/ Labour Director	
	2016	2015	2016	2016	2015	
€ '000						
Fixed compensation	960	960	188	750	750	
Pension payments	-	-	64	255	255	
Fringe benefits	19	13	4	20	21	
Total fixed compensation	979	973	256	1,025	1,026	
One-year variable compensation	1,112	961	211	881	761	
Bonus ¹	1,112	961	211	881	761	
Multi-year variable compensation	947	293	0	723	0	
Bonus retention 2012 (term: 2013–2015)	-	293	-	-	-	
Bonus retention 2013–2015 (released)	947	-	-	723	-	
LTIP Beat 2012 tranche (term: 2012–2015)	-	0	-	-	0	
LTIP Beat 2013–2015 tranches (renounced without replacement)	0	-	0	0	-	
MTIP (vesting period: 2014–2016)	0	-	0	0	-	
Other	-	-	-	-	-	
Total variable remuneration	2,059	1,254	211	1,604	761	
Total	3,038	2,227	467	2,629	1,787	
Service cost	229	581	-	-	-	
Total compensation	3,267	2,808	467	2,629	1,787	

1 The bonus considers income from exercising intragroup supervisory board offices; also see the table 'Short-term Executive Board compensation' on page 70.

Payments	Peter Terium Chief Executive Officer until 14 Oct 2016		Dr. Bernhard Günther Chief Financial Officer until 14 Oct 2016	
	2016	2015	2016	2015
€ '000				
Fixed compensation	1,050	1,400	563	750
Pension payments	360	480	191	255
Fringe benefits	23	36	24	23
Total fixed compensation	1,433	1,916	778	1,028
One-year variable compensation	1,251	1,442	660	761
Bonus ¹	1,251	1,442	660	761
Multi-year variable compensation	1,462	366	781	96
Bonus retention 2012 (term: 2013–2015)	-	366	-	96
Bonus retention 2013–2015 (released)	1,462	-	781	-
LTIP Beat 2012 tranche (term: 2012–2015)	-	0	0	0
LTIP Beat 2013–2015 tranches (renounced without replacement)	0	-	0	-
MTIP (vesting period: 2014–2016)	0	-	-	-
Other	-	-	-	-
Total variable remuneration	2,713	1,808	1,441	857
Total	4,146	3,724	2,219	1,885
Service cost	-	-	-	-
Total compensation	4,146	3,724	2,219	1,885

¹ The bonus considers income from exercising intragroup supervisory board offices; also see the table 'Short-term Executive Board compensation' on page 70.