

(82) Remuneration report

The remuneration report describes the basic structure of the remuneration plan for members of the Executive Board and Board of Supervisory Directors; it also discloses their remuneration on an individual basis.

Overview of total remuneration of members of the Executive Board and Board of Supervisory Directors

	2016	2015	Change
	EUR in thousands	EUR in thousands	EUR in thousands
Members of the Executive Board	4,033.0	3,945.9	87.1
Former members of the Executive Board and their surviving dependants	4,225.9	4,194.2	31.7
Members of the Board of Supervisory Directors	193.0	191.7	1.3
Total	8,451.9	8,331.8	120.1

Remuneration of the Executive Board

The remuneration system for KfW's Executive Board is aimed at appropriately compensating members of the Executive Board for their duties and responsibilities. Executive Board contracts are drawn up based on the 1992 version of the policy for hiring executive board members at credit institutions of the Federal Government (*Grundsätze für die Anstellung der Vorstandsmitglieder bei den Kreditinstituten des Bundes*). The Federal Public Corporate Governance Code (*Public Corporate Governance Kodex des Bundes – "PCGK"*) is taken into account when drawing up contracts. On this basis, each contract is individualised accordingly.

Components of remuneration

The Executive Board members receive fixed monetary compensation paid in equal monthly instalments. The compensation of the Chief Executive Officer is an exception; based on an agreed set of annual targets, he receives a variable end-of-year bonus in addition to his fixed salary. The minimum bonus payment for financial year 2016 was set at EUR 181,946.91. This minimum bonus payment does not apply if KfW's net income for a financial year is insufficient to ensure allocation to the statutory reserves. The annual targets agreed for financial year 2016 comprise promotional, economic and regulatory targets with a 50% quantitative to 50% qualitative weighting. A cap on the end-of-year bonus has been agreed.

The following table shows total remuneration, broken down into fixed and, where applicable, variable components and other forms of compensation, as well as additions to pension provisions for the individual members of the Executive Board.

Annual remuneration of the Executive Board and additions to pension provisions in financial years 2016 and 2015¹⁾

	Salary		Variable compensation		Other compensation		Total		Additions to pension provisions ²⁾	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
Dr Ulrich Schröder (Chief Executive Officer)	742.2	740.5	275.0	250.0	88.5	88.4	1,105.7	1,078.9	1,549.7	707.7
Dr Günther Bräunig	563.6	552.6 ³⁾	0.0	0.0	33.3	34.9	596.9	587.5	1,093.0	-190.8
Dr Ingrid Hengster	522.6	521.4	0.0	0.0	34.8	40.2	557.4	561.6	618.8	142.2
Dr Norbert Kloppenburg	551.2	552.6 ³⁾	0.0	0.0	44.7	44.6	595.9	597.2	1,069.4	-496.0
Bernd Loewen	583.5	582.1	0.0	0.0	37.4	34.9	620.9	617.0	787.8	-209.9
Dr Stefan Peiss	521.9	0.0	0.0	0.0	34.3	0.0	556.2	0.0	595.0	0.0
Total	3,485.0	3,361.9⁴⁾	275.0	250.0	273.0	334.0⁴⁾	4,033.0	3,945.9⁴⁾	5,713.7	-1,507.2⁴⁾

¹⁾ Amounts in the table are subject to rounding differences.

²⁾ The discount rate for pension obligations decreased in 2016 due to the decline in long-term capital market rates from 2.28% (31 Dec. 2015) to 1.63% (31 Dec. 2016), which accounted for a majority of the additions to pension provisions.

³⁾ A remaining payment of EUR 2,626 for an anniversary bonus for 2014 is included in the 2015 salaries.

⁴⁾ The totals for financial year 2015 include compensation paid to Dr Edeltraud Leibrock, who stepped down on 30 September 2015, the addition to pension provisions and a one-time payment under a retrospective pension contribution agreement.

Responsibilities

The Presidial and Nomination Committee has discussed the Executive Board compensation system including contract components since the committee structure was modified in accordance with the applicable section 25 d of the German Banking Act (*Kreditwesengesetz – “KWG”*) and adopts and regularly reviews it. The Presidial and Nomination Committee is advised on these matters by the Remuneration Committee, which in turn considers the results of certain analyses of the recently established Risk and Credit Committee regarding the incentive effects of the compensation systems. Likewise after consulting with the Remuneration Committee on the matter, the Board of Supervisory Directors decides upon the basic structure of the Executive Board’s compensation system.

The Presidial and Nomination Committee discussed compensation issues on numerous occasions during the reporting year, most recently at its meeting of 7 December 2016.

Fringe benefits

Other compensation largely comprises fringe benefits. Executive Board members are entitled to a company car with a driver for business and personal use. Executive Board members reimburse KfW for using a company car with a driver for private purposes in accordance with applicable tax regulations. They are reimbursed under tax regulations for the cost of maintaining a second home for business reasons.

Executive Board members are insured under a group accident insurance policy. Allowances are provided for health and long-term care insurance. Executive Board members are covered by a directors and officers liability insurance policy, which insures them against the risks of financial loss associated with their actions in their capacity as Executive Board members and by a supplemental legal expenses insurance policy. KfW Executive Board members acting in their management capacity are also protected by a special legal expenses group policy for employees covering criminal activities.

No compensation is paid to members of the Executive Board for assuming executive body functions at group companies.

As with all other executives, Executive Board members may also opt to participate in the deferred compensation programme – a supplemental company pension scheme financed via tax-free salary conversion. Moreover, they are entitled to anniversary bonuses in accordance with KfW's general company policy.

In addition, the fringe benefits contain the cost of security systems at Executive Board members' homes; these benefits are not recognised as other compensation but as Non-personnel expenses.

The fringe benefits are subject to taxation as benefits in money's worth for Executive Board members if they cannot be granted on a tax-free basis or if this is contractually agreed.

There were no loans by KfW to any members of the Executive Board in 2016.

No Executive Board member was granted or promised any benefits by a third party during the past financial year with a view to his position as a member of the KfW Executive Board.

Pension benefits and other benefits in the case of early retirement

In accordance with Article 1 (3) of the KfW Bylaws, the appointment of an Executive Board member should not generally extend beyond reaching the legal age of retirement. The Chief Executive Officer is exempt from this provision; he will be above the statutory retirement age at the end of his period of office, which has been renewed until 31 December 2020. Upon reaching the age of 65 or statutory retirement age and the expiry of their Executive Board contract, Executive Board members are entitled to claim pension payments; they are also entitled to pension benefits if their employment relationship terminates due to permanent disability. Two members of the Executive Board who were first appointed to the Board in 2006 and 2007 respectively and subsequently reappointed also have the option of retiring at their own request at the age of 63. Three of the Executive Board members are also entitled to a contractually granted and grandfathered temporary allowance under certain circumstances.

Pension commitments for Executive Board members as well as their surviving dependants are based on the 1992 version of the Federal Government's policy for hiring executive board members at credit institutions. The PCGK is taken into account when drawing up the Executive Board contracts.

Executive Board member contracts include a severance pay cap in accordance with the recommendations of the PCGK. In other words, payments to these Executive Board members due to early termination of the Executive Board function without good cause in accordance with Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch* – "BGB") should not exceed the equivalent of two years' salary or compensation including fringe benefits for the remainder of the contract, whichever is lower.

The full benefit entitlement totalled 70% of the pensionable salary in the reporting year. The pensionable salary was equivalent to 70% of the last remuneration (49% of salary). With the exception of the CEO, the retirement benefit entitlement amounted to 70% of the full entitlement for first-time appointment, with an increase per completed year of service of 1.25 to 3.0 percentage points depending on the contract (from an initial 34.3% to a maximum of 49% of the final salary).

The Executive Board contracts contain additional individual provisions, in particular concerning vesting of pension benefits. The newer contracts also include provisions on retrospective pension contributions where pension benefits are not yet vested and the member in question has not been reappointed.

Pension payments to former Executive Board members or their surviving dependants were as follows in 2016 and 2015:

Pension payments to former Executive Board members or their surviving dependants

	Headcount 2016	EUR in thousands 2016	Headcount 2015	EUR in thousands 2015
Former members of the Executive Board	19	3,421.2	19	3,374.5
Surviving dependants	9	804.7	10	819.7
Total	28	4,225.9	29	4,194.2

Provisions in the amount of EUR 66,182.9 thousand had been set up at the end of financial year 2016 for pension obligations to former members of the Executive Board and their surviving dependants (previous year: EUR 64,931.5 thousand).

No loans were granted to former Executive Board members or their surviving dependants in financial year 2016.

Compensation of members of the Board of Supervisory Directors

The amount of compensation to members of the Board of Supervisory Directors is determined by the supervisory authority in accordance with Article 7 (10) of the KfW Bylaws. With the last revision in May 2010, compensation to members of the Federal Government who are members of the Board of Supervisory Directors pursuant to Article 7 (1) No. 1 and No. 2 of the KfW Law was set at EUR 0.

In the reporting year, compensation for other members of the Board of Supervisory Directors pursuant to Article 7 (1) Nos. 3–7 of the KfW Law amounted to EUR 5,100 p. a.; compensation for membership of a Board of Supervisory Directors committee was a standard amount of EUR 600 p. a. for each member. Committee chairs received no special compensation.

Members who join during the year receive their compensation on a pro rata basis.

A daily allowance (EUR 200 per meeting day) is paid and travel expenses and applicable VAT are reimbursed upon request.

The following table provides details on the compensation paid to the Board of Supervisory Directors in financial year 2016; stated amounts are net amounts in thousands of euros. Travel expenses are reimbursed upon submission of receipts and are not taken into account in the table.

Remuneration of members of the Board of Supervisory Directors for the financial year 2016

No.	Name	Dates of membership	Board of Supervisory Directors membership ¹⁾	Committee membership ¹⁾	Daily allowance	Total
		2016	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1.	Sigmar Gabriel	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
2.	Dr Wolfgang Schäuble	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
3.	Kerstin Andreae	1 Jan. – 31 Dec.	5.1	0.6	0.8	6.5
4.	Jan Bettink	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
5.	Anton F. Börner	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
6.	Dr Uwe Brandl	1 Jan. – 31 Dec.	5.1	0.0	0.2	5.3
7.	Hans-Dieter Brenner	1 Jan. – 31 Dec.	5.1	0.6	1.4	7.1
8.	Frank Bsirske	1 Jan. – 31 Dec.	5.1	0.0	0.0	5.1
9.	Alexander Dobrindt	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
10.	Georg Fahrenschon	1 Jan. – 31 Dec.	5.1	2.5	0.0	7.6
11.	Robert Feiger	1 Jan. – 31 Dec.	5.1	0.6	0.8	6.5
12.	Klaus-Peter Flosbach	1 Jan. – 31 Dec.	5.1	0.6	0.6	6.3
13.	Christian Görke ²⁾	1 Jan. – 31 Dec.	5.1	0.0	0.0	5.1
14.	Hubertus Heil	1 Jan. – 31 Dec.	5.1	1.8	0.6	7.5
15.	Monika Heinold ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
16.	Dr Barbara Hendricks	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
17.	Reiner Hoffmann	1 Jan. – 31 Dec.	5.1	1.2	0.2	6.5
18.	Gerhard Hofmann	1 Jan. – 31 Dec.	5.1	1.2	0.4	6.7
19.	Bartholomäus Kalb	1 Jan. – 31 Dec.	5.1	0.6	1.4	7.1
20.	Dr Markus Kerber	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
21.	Stefan Körzell	1 Jan. – 31 Dec.	5.1	1.2	0.6	6.9
22.	Dr Gesine Lötzsch	1 Jan. – 31 Dec.	5.1	1.2	0.6	6.9
23.	Dr Gerd Müller	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
24.	Eckhardt Rehberg	1 Jan. – 31 Dec.	5.1	1.2	0.4	6.7
25.	Joachim Rukwied	1 Jan. – 31 Dec.	5.1	0.6	0.2	5.9
26.	Dr Nils Schmid ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.6	6.3
27.	Christian Schmidt	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
28.	Andreas Schmitz	1 Jan. – 31 Dec.	5.1	2.5	1.6	9.2
29.	Carsten Schneider	1 Jan. – 31 Dec.	5.1	1.2	0.8	7.1
30.	Peter-Jürgen Schneider ²⁾	1 Jan. – 31 Dec.	5.1	1.2	0.2	6.5
31.	Holger Schwannecke	1 Jan. – 31 Dec.	5.1	1.8	0.0	6.9
32.	Dr Markus Söder ²⁾	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
33.	Dr Frank-Walter Steinmeier	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
34.	Prof. Dr Georg Unland ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
35.	Dr Norbert Walter-Borjans ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
36.	Dr Martin Wansleben	1 Jan. – 31 Dec.	5.1	0.6	0.2	5.9
37.	Dr Kai H. Warnecke	1 Jan. – 31 Dec.	5.1	0.0	0.6	5.7
Total			153.0	27.8	12.2	193.0

¹⁾ The amounts had not yet been paid out as of the reporting date 31 December 2016.

²⁾ Amount governed by state law.

Remuneration of members of the Board of Supervisory Directors for the financial year 2015

No.	Name	Dates of membership	Board of Supervisory Directors membership ¹⁾	Committee membership ¹⁾	Daily allowance	Total
		2015	EUR in thousands	EUR in thousands	EUR in thousands	EUR in thousands
1.	Dr Wolfgang Schäuble	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
2.	Sigmar Gabriel	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
3.	Kerstin Andreae	1 Jan. – 31 Dec.	5.1	0.6	0.6	6.3
4.	Norbert Barthle	31 Jan. – 14 Apr.	1.5	0.4	0.2	2.1
5.	Jan Bettink	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
6.	Anton F. Börner	1 Jan. – 31 Dec.	5.1	0.6	0.2	5.9
7.	Hans-Dieter Brenner	1 Jan. – 31 Dec.	5.1	0.6	0.8	6.5
8.	Frank Bsirske	1 Jan. – 31 Dec.	5.1	0.0	0.0	5.1
9.	Jens Bullerjahn ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
10.	Alexander Dobrindt	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
11.	Georg Fahrenschon	1 Jan. – 31 Dec.	5.1	2.5	0.0	7.6
12.	Robert Feiger	1 Jan. – 31 Dec.	5.1	0.6	0.4	6.1
13.	Klaus-Peter Flosbach	1 Jan. – 31 Dec.	5.1	0.6	0.8	6.5
14.	Hubertus Heil	1 Jan. – 31 Dec.	5.1	1.8	0.6	7.5
15.	Dr Barbara Hendricks	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
16.	Prof. Dr Hans-Günter Henneke	1 Jan. – 31 Dec.	5.1	0.0	0.6	5.7
17.	Reiner Hoffmann	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
18.	Gerhard Hofmann	1 Jan. – 31 Dec.	5.1	1.2	0.2	6.5
19.	Bartholomäus Kalb	31 Jan. – 31 Dec.	5.1	0.6	1.2	6.9
20.	Dr Markus Kerber	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
21.	Stefan Körzell	1 Jan. – 31 Dec.	5.1	1.2	0.6	6.9
22.	Dr Matthias Kollatz-Ahnen ²⁾	6 Feb. – 31 Dec.	4.7	0.5	0.0	5.2
23.	Dr Gesine Löttsch	1 Jan. – 31 Dec.	5.1	1.2	0.6	6.9
24.	Dr Gerd Müller	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
25.	Eckhardt Rehberg	23 Apr. – 31 Dec.	3.6	0.8	0.2	4.6
26.	Joachim Rukwied	1 Jan. – 31 Dec.	5.1	0.6	0.8	6.5
27.	Dr Nils Schmid ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.2	5.9
28.	Christian Schmidt	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
29.	Andreas Schmitz	1 Jan. – 31 Dec.	5.1	2.5	1.4	9.0
30.	Carsten Schneider	1 Jan. – 31 Dec.	5.1	1.2	1.0	7.3
31.	Peter-Jürgen Schneider ²⁾	1 Jan. – 31 Dec.	5.1	0.0	0.4	5.5
32.	Holger Schwannecke	1 Jan. – 31 Dec.	5.1	1.8	0.0	6.9
33.	Erwin Sellering ²⁾	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
34.	Dr Markus Söder ²⁾	1 Jan. – 31 Dec.	5.1	1.2	0.0	6.3
35.	Dr Frank-Walter Steinmeier	1 Jan. – 31 Dec.	0.0	0.0	0.0	0.0
36.	Dr Norbert Walter-Borjans ²⁾	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
37.	Dr Martin Wansleben	1 Jan. – 31 Dec.	5.1	0.6	0.0	5.7
38.	Dr Kai H. Warnecke	1 Jan. – 31 Dec.	5.1	0.0	0.6	5.7
Total			152.6	27.7	11.4	191.7

¹⁾ The amounts had not yet been paid out as of the reporting date 31 December 2015.

²⁾ Amount governed by state law.

There are no pension obligations for members of the Board of Supervisory Directors.

Members of the Board of Supervisory Directors received no compensation in the reporting year for personal services provided.

No direct loans were granted by KfW to members of the Board of Supervisory Directors in the reporting year.

Members of the Board of Supervisory Directors are also covered by a directors and officers liability insurance policy, which insures them against the risks of financial loss associated with their actions in their capacity as Supervisory Directors and by a supplemental legal expenses insurance policy. Currently there are no deductibles agreed. KfW's Supervisory Directors acting in their capacity as such are also protected by a special legal expenses group policy for employees covering criminal activity and by a group accident insurance policy.