

Corporate governance statement¹



Munich Reinsurance Company's corporate governance statement comprises (1) the declaration in accordance with Section 161 of the German Stock Companies Act and (2) the report of the Board of Management and Supervisory Board on the Company's corporate governance within the meaning of item 3.10 of the German Corporate Governance Code, including the remuneration report in accordance with item 4.2.5 of that Code and the disclosures as per Section 289a para. 2 items 2 and 3 of the German Commercial Code.

1. Declaration of the Board of Management and Supervisory Board of Munich Reinsurance Company in accordance with Section 161 of the German Stock Companies Act, dated November 2010

"Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München fulfils all the recommendations of the German Corporate Governance Code of 26 May 2010 (published on 2 July 2010) and will continue to do so in future. Since the last declaration of conformity in November 2009, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 18 June 2009 (published on 5 August 2009)."

The declaration of conformity is permanently accessible on our internet website (www.munichre.com).

2. Corporate governance report

It is our conviction that good corporate governance creates lasting value. We therefore apply the highest standards to our operations and activities, complying with all the recommendations and proposals of the German Corporate Governance Code.

Munich Re Code of Conduct

Beyond this, we have our own Munich Re Code of Conduct specifying high-level ethical and legal requirements that must be met by employees. This document is also published on our website.

¹ Copy from the management report of Munich Reinsurance Company. Some of the figures in the remuneration report of the Board of Management deviate owing to the application of International Accounting Standards.

Binding rules for all employees

In our Code of Conduct we clearly state our views on corporate integrity, i.e. legally impeccable behaviour based on ethical principles. At the same time, the Code is an expression of our understanding of value management. The Code of Conduct contains regulations that are binding for all Munich Re employees, including management, particularly for dealing with conflicts of interest, maintaining confidentiality, preventing money laundering and fraud, complying with antitrust law and insider trading law, and adhering to specified practices for donations and sponsoring. Furthermore, the Code of Conduct outlines a procedure for reporting legal infringements or contraventions which allows the Company to respond promptly, even to the suspicion of irregularities, or to prevent any form of financial crime.

In this connection, employees have the option of contacting an external and independent ombudsman, who reports cases of suspected fraud to the Fraud Prevention Committee, comprising the Fraud Prevention Officer and the Compliance Officer, thus supporting Munich Re's anti-fraud management.

Global Compact

To make clear Munich Re's understanding of important values – and thus also its corporate responsibility – inside and outside our Group, Munich Re joined the United Nations Global Compact in 2007. The ten principles of this declaration form the benchmark for our actions throughout the Group and thus provide the fundamental framework for our corporate responsibility. Our annual Communication on Progress for the UN Global Compact is integrated into the corporate responsibility portal on our website.

How we view corporate governance

Corporate governance stands for a form of responsible company management and control geared to long-term creation of value. One of our aims in this context is to foster the confidence of investors, clients, employees and the general public. Also of great significance for us are efficient practices on the Board of Management and Supervisory Board, good collaboration between these bodies and with the companies' staff, and open and transparent corporate communications.

Continually improving corporate governance is an important principle underlying our business activities.

What rules apply to Munich Re?

As a result of its international organisation, Munich Re has to consider corporate governance rules in different national legal systems. Clearly, we observe not only the respective national standards but also internationally recognised best practices. In Germany, where Munich Reinsurance Company has its headquarters, corporate governance rules are laid down above all in the German Stock Companies Act and the German Corporate Governance Code. The German Insurance Control Act standardises the "fit and proper" requirements for Board members of insurance companies. It also provides particular rules for insurance companies' remuneration systems. These rules formed the basis for the regulation on remuneration schemes in the insurance sector (VersVergV) issued by the German Federal Finance Ministry in October 2010.

Also applicable to Munich Reinsurance Company is the German Act on the Co-Determination of Employees in Cross-Border Mergers (MgVG) and a co-determination agreement; these provisions supersede those of the German Co-Determination Act. The co-determination agreement is published on our website.

The German Corporate Governance Code, which entered into force in 2002 and has since been amended several times, contains the main legal rules that must be observed

by German listed companies. In addition, it includes recommendations and proposals based on nationally and internationally recognised standards of good and responsible management. Every year, Munich Reinsurance Company's Board of Management and Supervisory Board publish a declaration stating how far the Code's recommendations have been and will be complied with. The current declaration of conformity can be found on page 22.

Corporate legal structure

Munich Reinsurance Company is a joint-stock company ("Aktiengesellschaft") within the meaning of the German Stock Companies Act. It has three governing bodies: the Board of Management, the Supervisory Board and the Annual General Meeting. Their functions and powers derive from the relevant legal provisions, the co-determination agreement and the Articles of Association, which are published on our website.

The principle of parity co-determination on the Supervisory Board has been maintained in the co-determination agreement, and strengthened by taking into account staff employed in the rest of Europe.

Board of Management

Duties and responsibilities

The Board of Management is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavour to achieve a long-term increase in the Company's value. The Board of Management must ensure compliance with statutory requirements and internal company directives, and is responsible for effecting adequate risk management and risk control in the Company. The Chairman of the Board of Management provides for homogeneous management of the Company, which he represents vis-à-vis the authorities, the media and associations.

Internal regulation and working procedure

Pursuant to Article 16 of the Articles of Association, the Board of Management must comprise a minimum of two persons; beyond this, the number of members is determined by the Supervisory Board. Munich Reinsurance Company's Board of Management had nine members in the 2010 financial year. An overview of its composition and distribution of responsibilities can be found on page 60. Additional information on individual members of the Board of Management is available on our website. The Board of Management has two committees – one for Group matters and one for reinsurance – in order to enhance the efficiency of its work. Rules of procedure issued by the Supervisory Board regulate the work of the Board of Management, in particular the allocation of responsibilities between the individual Board members, matters reserved for the full Board of Management, and the required majority for Board of Management resolutions. The full Board of Management decides on all matters for which the law or the Articles of Association prescribe a decision by the Board of Management. In particular, it is responsible for matters requiring the approval of the Supervisory Board, for items which have to be submitted to the Annual General Meeting, for tasks which constitute fundamental management functions or are of exceptionally great importance, and finally for significant personnel issues at top management level.

Meetings of the Board of Management take place as required, but at least once a month. The members of the Board of Management cooperate closely to the benefit of the Company and aim to reach unanimous decisions.

Composition and working procedure of the Board of Management committees

The **Group Committee** comprises the Chairman of the Board of Management and at least one other member of the Board of Management, i.e. Nikolaus von Bomhard and Jörg Schneider. A further member is Munich Reinsurance Company's Chief Risk Officer, Joachim Oechslin. The Chairman of the Board of Management is also Chairman of the Group Committee. The Group Committee decides on all fundamental matters relating

to its voting members' divisions unless the full Board of Management is mandatorily responsible. In addition, it prepares decisions that have to be taken by the full Board.

The **Reinsurance Committee** comprises those members of the Board of Management that do not sit on the Group Committee, i.e. Torsten Jeworrek, Ludger Arnoldussen, Thomas Blunck, Georg Daschner, Peter Röder, Wolfgang Strassl and Joachim Wenning. A further member is the Chief Financial Officer for Reinsurance, Hermann Pohlchristoph. The Chairman of the Committee is appointed by the Supervisory Board. This office is held by Torsten Jeworrek. The Reinsurance Committee decides on all fundamental matters relating to the business field of reinsurance except where the full Board of Management is mandatorily responsible.

The committee meetings are held as needed, and usually take place every two weeks. Only the members of the Board of Management are entitled to vote.

Subcommittees of the Board of Management committees

Both the Group Committee and the Reinsurance Committee have set up subcommittees, whose members include other senior executives from Munich Reinsurance Company and the Group. They comprise the Group Investment Committee, the Group Risk Committee and the Global Underwriting and Risk Committee. Only Board members of Munich Reinsurance Company have voting rights on these committees, each of which has its own written rules of procedure. The Group Investment Committee deals with all significant issues affecting the investments of the Group and the individual fields of business. Both the Group Risk Committee and the Global Underwriting and Risk Committee deal with the risk management process, albeit in different contexts.

Collaboration between Board of Management and Supervisory Board

The Board of Management and Supervisory Board cooperate closely to the benefit of the Company. The Board of Management coordinates the Company's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with it at regular intervals. It reports regularly to the Supervisory Board about all questions relevant to the Company. The Supervisory Board has defined the Board of Management's information and reporting requirements in detail. Specific types of transaction such as investments and divestments of substantial size and individual capital measures (e.g. according to Article 4 of the Articles of Association) generally require the Supervisory Board's consent. Beyond this, the Board of Management reports to the Audit Committee on specific topics falling within the latter's scope of responsibility.

Supervisory Board

Duties and responsibilities

The Supervisory Board monitors the Board of Management and gives counsel where appropriate. Certain transactions require its approval, but it is not authorised to take management action. The Supervisory Board also appoints the external auditor for the Company and Group financial statements and for the half-year financial report.

In compliance with the Articles of Association, the Supervisory Board has 20 members. Half are representatives of the shareholders, elected by the Annual General Meeting, and half are elected representatives of the employees. Under the co-determination agreement, employees of Group companies in the European Union (EU) and European Economic Area (EEA) may also participate in the election of employee representatives.

An overview of the members of the Supervisory Board can be found on page 60 f. Additional information on the current members of the Supervisory Board is available on our website.

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate rules of procedure for the Audit Committee. As provided for in the German Co-Determination

Act and included in the provisions of Article 12 of the Articles of Association, the Chairman of the Supervisory Board and his first deputy must be elected by a majority of two-thirds of its constituent members. If a second vote is needed, the shareholder representatives elect the Chairman of the Supervisory Board, and the employee representatives his first deputy, by a simple majority of the votes cast in each case.

The Supervisory Board is quorate if all its members have been invited to the meeting or called upon to vote and if ten members including the Chairman or alternatively 15 members participate in the vote. The Chairman of the Supervisory Board is authorised to make declarations on the Supervisory Board's behalf.

In accordance with item 5.4.1 para. 2 of the German Corporate Governance Code, the Supervisory Board has set itself the following objectives for its future composition:

- // The main criteria focus on sustained corporate profitability, personal abilities, talents, experience (especially of an international nature), independence, professional knowledge and enterprise.
- // All members of the Supervisory Board should be free of relevant conflicts of interest.
- // In selecting candidates for membership, the Supervisory Board should pay due regard to diversity, especially in terms of age, internationality and gender. By the beginning of the next term of office (scheduled for 2014), at least 20% of the members should be female, with this figure increasing to at least 30% by the start of the following term of office (scheduled for 2019). Currently, three members of the Supervisory Board are women: two representatives of the employees (since the Supervisory Board elections in 2009) and one shareholder representative (since February 2010).

The above-mentioned objectives apply to the Supervisory Board as a whole. Shareholder and employee representatives will each contribute their share to meeting them, and the bodies responsible under the co-determination agreement for election proposals to the European Electoral Board are requested to take due consideration of the objectives within the framework of the current rules. The Nomination Committee has updated its list of criteria for nominating candidates for election to the Supervisory Board as shareholder representatives.

In addition, the Supervisory Board's rules of procedure provide for a recommended age limit of 70 for candidates.

Composition and working procedure of the Supervisory Board committees

Munich Reinsurance Company's Supervisory Board has set up five committees: the Standing Committee, the Personnel Committee, the Audit Committee, the Nomination Committee, and the Conference Committee. The full Supervisory Board is regularly informed about the work of the committees by their respective chairmen. The committees' main responsibilities are as follows:

The **Standing Committee** prepares Supervisory Board meetings and decides on matters of Company business requiring the Supervisory Board's approval insofar as the full Supervisory Board or another committee is not responsible. It makes amendments to the Articles of Association that only affect the wording, and decides on the attendance of guests at Supervisory Board meetings. Besides this, it prepares the annual declaration of conformity with the German Corporate Governance Code, in accordance with Section 161 of the German Stock Companies Act, and the Supervisory Board's report about the Company's corporate governance in the annual report. Every year, it reviews the efficiency of the Supervisory Board's work and submits appropriate proposals to the full Supervisory Board where necessary. It also approves loan transactions of the Company with managers and Supervisory Board members or parties related to them, as well as Company contracts with members of the Supervisory Board. If the Chairman of the Supervisory Board is unable to attend, it determines the Chair of the Annual General Meeting.

Members of the Standing Committee are Dr. Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen, Wolfgang Mayrhuber and Dr. Bernd Pischetsrieder.

The **Personnel Committee** prepares the appointment of members of the Board of Management and, together with the Board of Management, concerns itself with long-term succession planning. It also prepares the Supervisory Board's resolution on the remuneration system for the Board of Management, including the total remuneration of the individual members of the Board of Management. The Personnel Committee represents the Company vis-à-vis the members of the Board of Management and is responsible for other personnel matters involving members of that Board unless these are issues that have been allocated to the full Supervisory Board. It approves loan transactions between the Company and members of the Board of Management or parties related to them, as well as any material transactions between the Company or its associated companies and members of the Board of Management or parties related to them. It also decides on secondary occupations that members of the Board of Management may pursue and seats they hold on the boards of other companies.

Members of the Personnel Committee are Hans-Jürgen Schinzler (Chairman), Herbert Bach and Dr. Bernd Pischetsrieder.

The **Audit Committee** prepares Supervisory Board resolutions on the adoption of the annual Company financial statements and approval of the Group financial statements, reviews the financial reporting, discusses the quarterly reports, and takes delivery of the audit reports and other reports and statements by the external auditor. The committee monitors the accounting process, including the effectiveness of the Company's internal control system, risk management system, compliance system, and internal audit system. Furthermore, it initiates the decision on the appointment of the external auditor and monitors the latter's independence and quality. It appoints the external auditor for the Company and Group financial statements, determines focal points of the audits and agrees the auditor's fee for the annual audit; the same applies to the review of the half-year financial report. In addition, together with the Board of Management, the Audit Committee prepares the annual discussion of the risk strategy held before the Supervisory Board and discusses any changes or deviations from the risk strategy with the Board of Management during the year.

Members of the Audit Committee are Prof. Dr. Henning Kagermann (Chairman), Christian Fuhrmann, Marco Nörenberg, Anton van Rossum and Dr. Hans-Jürgen Schinzler.

Comprising solely representatives of the shareholders, the **Nomination Committee** suggests suitable candidates to the Supervisory Board for the latter's election proposals to the Annual General Meeting. It has drawn up and adopted a list of criteria on which these proposals are to be based.

Members of the Nomination Committee are Dr. Hans-Jürgen Schinzler (Chairman), Prof. Dr. Henning Kagermann and Dr. Bernd Pischetsrieder.

The **Conference Committee** makes personnel proposals to the Supervisory Board if the requisite two-thirds majority is not achieved in the first vote when it comes to appointing or dismissing members of the Board of Management. Its responsibilities have remained the same after application of the co-determination agreement and are now laid down in the Articles of Association and the Supervisory Board's rules of procedure.

Members of the Conference Committee are Dr. Hans-Jürgen Schinzler (Chairman), Herbert Bach, Hans Peter Claußen and Dr. Bernd Pischetsrieder.

More details of the work of the Supervisory Board committees in the financial year ended can be found in the report of the Supervisory Board to the Annual General Meeting, which is printed on page 17 ff.

Annual General Meeting

The regular responsibilities of the Annual General Meeting include reaching a resolution on the appropriation of profits and approving the actions of the Board of Management and Supervisory Board.

At the Company's Annual General Meeting, the principle of "one share, one vote" applies. Insofar as shareholders are entered under their own name as being the holders of shares which belong to a third party and exceed the upper limit of 2% of the share capital as stated in the Articles of Association, the shares entered do not carry any voting rights. The aim of this provision is greater transparency of the share register. Besides this, it is intended to facilitate direct contact with the shareholders, especially in connection with the convening of the Annual General Meeting and the exercising of voting rights.

Remuneration report¹

Structure of the remuneration system for the Board of Management

In conformity with the German Corporate Governance Code, we here explain the principles of the remuneration system for Munich Re's Board of Management and the structuring of the individual remuneration components.

In accordance with item 4 of the German Corporate Governance Code, the remuneration system for the Board of Management was determined by the full Supervisory Board. The necessary preparations for the resolution were made by the Personnel Committee of the Supervisory Board, comprising the Chairman of the Supervisory Board, one shareholder representative and one employee representative.

The remuneration system for the Board of Management was revised with effect from 1 January 2010 on the basis of the remuneration-related amendments to the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and the German Corporate Governance Code, with particular attention being paid to comprehensibility and transparency.

The new structure comprises only two remuneration components: basic and variable remuneration. The variable remuneration component contains both annual and three-year objectives, thus replacing the annual bonus and Mid-Term Incentive Plan. The Long-Term Incentive Plan has been done away with. The obligation to invest in Munich Re shares that must be held for at least a two- or four-year period means there continues to be an element geared to the development of Munich Reinsurance Company's share price. Overall, the new remuneration system focuses more strongly than before on long-term targets and thus creates an even greater incentive for sustainable corporate development.

¹ This remuneration report is part of the Group management report.