

Corporate governance

Report of the Supervisory Board
Corporate governance statement

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Ladies and Gentlemen,



Dr. Hans-Jürgen Schinzler
Chairman of the
Supervisory Board

In the 2010 financial year, the Supervisory Board fulfilled all the tasks and duties incumbent upon it under the law, the Articles of Association and its rules of procedure. We regularly advised the Board of Management in its running of the Company and supervised its activities. Inspection measures in accordance with Section 111 para. 2 sentence 1 of the German Stock Companies Act were at no time required.

The Board of Management satisfied its reporting obligations towards the Supervisory Board in all respects. It consulted us in good time on all decisions of fundamental significance and regularly briefed us both verbally and in writing about all important business transactions. At the scheduled meetings, the Board of Management kept the Supervisory Board up to date on the competitive position, strategic development, corporate planning, and the current situation in the Group. The Supervisory Board requested detailed explanations for any deviations in business performance from the planning. We always had sufficient opportunity to critically review the reports of the Board of Management and submit suggestions and proposals for improvement. The collaboration between the Supervisory Board and the Board of Management was constructive and characterised by a spirit of mutual trust. The shareholder representatives and employee representatives had the chance prior to the Supervisory Board meetings to discuss important topics separately with the Chairman of the Board of Management.

The Chairman of the Supervisory Board and the Chairman of the Board of Management maintained an ongoing dialogue, particularly in connection with key issues of strategy, corporate risk management and current business performance. Where necessary, the Chairman of the Board of Management informed me promptly of significant events and developments in the Group. Prof. Dr. Henning Kagermann, Chairman of the Audit Committee, also remained in close contact with Dr. Jörg Schneider, member of the Board of Management responsible for Group reporting.

To better fulfil its supervisory and consulting activities, the Supervisory Board had agreed to hold two additional regular meetings from 2010 onwards. 2010 was therefore the first year in which six ordinary meetings of the full Supervisory Board took place. A representative of the German Federal Financial Supervisory Authority (BaFin) took part as a guest in the July meeting.

Focal points of the meetings of the full Supervisory Board

The performance of Munich Re featured on the agenda of every meeting but one. In this context, we regularly engaged in in-depth discussions with the Board of Management about business opportunities and risks, including the situation of life insurance in Germany. The Board of Management briefed us in each quarter on the performance of investments. At every meeting, we discussed in detail with the Board of Management its reports to us on topics of current interest, including the introduction of the new ERGO brand, the progress on Solvency II and its implications for business, the exceptional Deepwater Horizon oil rig loss and the liability coverage concept developed by Munich Re in its aftermath for individual offshore oil drilling operations.

At our first meeting in 2010, we concerned ourselves with the Company and Group financial statements for the financial year 2009 and prepared the motions for resolution by the 2010 Annual General Meeting. We took the decision to extend the appointment of a Board of Management member and established for the first time in full session the individual objectives for the Board members' variable remuneration components for 2010. We also concerned ourselves with BaFin's requirements regarding remuneration systems in the insurance industry and with the establishment of a Group-wide remuneration committee. We obtained reports on important developments at ERGO, in

particular the realignment of its brand and new set-up of the life segment, and on issues of compliance and anti-fraud management. And finally, we appointed the external auditors for the 2010 financial year.

In April, we decided for the first time in full session on the extent to which the Board of Management had achieved its objectives and on the amount of bonus payments for the members of the Board of Management from the 2009 annual bonus. At another meeting immediately prior to the Annual General Meeting, the Board of Management gave us an account of business performance thus far in the year under review.

At our July meeting, besides covering the topics routinely included on the agenda, we looked into the strategy for expanding agricultural covers in the reinsurance segment and addressed focal points of the Group's human resources work.

In October, we mainly discussed issues of corporate governance. In response to the new recommendations of the German Corporate Governance Code, we probed the subject of diversity, in particular the promotion of equal opportunities in the Group. We decided on amendments to the Board members' contracts, necessitated by the German Pension Rights Adjustment Act and the new regulation on remuneration schemes in the insurance sector. Moreover, we obtained detailed reports on the performance of Munich Health and on earnings and growth in ERGO's commercial and industrial insurance.

At its last meeting in December, the Supervisory Board dealt with the Board of Management's remuneration from 2011 onwards and decided on the weightings of the individual target categories and measurement bases for the financial objectives in connection with the variable remuneration for 2011. We adjusted the plan conditions of all ongoing long-term incentive plans (LIPs) of the Board of Management in order to treat retiring Board members and heirs equitably with regard to LIPs and the variable remuneration component restructured in 2010. And we concerned ourselves with the Group planning for 2011 and 2012 presented by the Board of Management. We debated the Group's risk strategy with the Chief Risk Officer and thoroughly analysed the Group's risk situation and profitability in the currently still difficult capital market environment. We satisfied ourselves that risk management is well organised and practised, i.e. that it is effective in all parts of the Group.

Between the meetings, the Board of Management reported to us on an ad-hoc basis concerning important matters in the Group – for example, the claims burden from Winter Storm Xynthia and the earthquake in Chile, the share buy-back programme and a court ruling on a substantial US asbestos-related claim.

Work of the committees

The Supervisory Board has a total of five committees in place that enable us to perform our tasks efficiently. The committees' main tasks include preparing resolutions to be taken by the full Supervisory Board and handling the topics assigned to them. Details regarding the responsibilities of the respective committees are available in the corporate governance report on page 22. The membership of the Supervisory Board committees is shown in the overview on page 24 ff. The chairmen of the committees provided detailed reports on their work at all meetings of the full Supervisory Board.

The Personnel Committee held six meetings in 2010. It prepared the proposals to be submitted to the full Supervisory Board regarding the individual variable remuneration targets for the members of the Board of Management in the year under review. Moreover, it submitted proposals to the Supervisory Board regarding the extension of a Board member's contract and the assessment of objectives and amount of bonus payments for the members of the Board of Management from the 2009 annual bonus. The

committee obtained comprehensive reports on the 2009 fringe benefits and remuneration in kind for the Board of Management and made adjustments to the guidelines for gifts and for company cars. It prepared a proposal for a resolution by the full Supervisory Board on the adjustment of the Board members' contracts, which had been necessitated by the German Pension Rights Adjustment Act and the new regulation on remuneration schemes. At the last meeting of the year, the Personnel Committee prepared proposals to be submitted to the full Supervisory Board regarding the Board of Management's remuneration from 2011 onwards and the weightings of the individual target categories and financial objectives for the Board of Management's variable remuneration for 2011. Moreover, it suggested to the full Supervisory Board that the conditions of all current long-term incentive plans (LIPs) for the Board of Management be adjusted in order to ensure that retiring Board members and heirs receive largely the same treatment with regard to LIPs and the variable remuneration component restructured in 2010. In individual meetings, the Personnel Committee also approved the acceptance of seats on supervisory, advisory and similar boards by members of the Board of Management. Before being submitted to the full Supervisory Board, the topics of the BaFin circular on the requirements for remuneration schemes in the insurance industry, the establishment of a remuneration committee and the amendments to the German Corporate Governance Code were studied thoroughly by the Personnel Committee.

The Standing Committee met four times in the year under review. Its essential tasks comprised preparing the meetings of the Supervisory Board and attending to corporate governance issues. It also received regular reports on developments in the shareholders' register.

The Audit Committee held five meetings in 2010. At two meetings, it discussed in detail the Company and Group financial statements, the Company and Group management report, the auditor's report and the Board of Management's proposal for the appropriation of the net retained profits for the financial year 2009. At one of the two meetings, the annual financial statements were discussed in the presence of the external auditor. The Chief Risk Officer closely discussed with the Audit Committee the main components of the risk capital model, and reported on the Group's risk situation. The Head of Internal Audit provided information on the result of the 2009 audits and the audit planning for 2010. Topics of compliance were dealt with by the Audit Committee at every meeting. Additionally, the committee had the Compliance Officer report personally on focal points of his work and on the compliance organisation. The development of the embedded values in life reinsurance business and in life and health primary insurance business was also an item of discussion.

The committee reviewed and monitored the auditor's independence. In this context, the Audit Committee took delivery of reports from the auditor on its auditing and non-audit-related services. Likewise, the Audit Committee prepared for the full Supervisory Board the appointment of the external auditor for the financial year 2010, determined the main points of the audits and set the auditor's fees. Following a resolution by the full Supervisory Board, the Chairman of the Audit Committee commissioned the audit for the financial year 2010. Furthermore, it commissioned the external auditor with a review of the half-year financial report 2010. In addition, the Audit Committee considered the 2010 quarterly reports and the 2010 half-year financial report, which it discussed in the presence of the auditor. Besides this, it assured itself of the comprehensiveness of Munich Re's internal control system on the basis of a presentation by the external auditor.

The Audit Committee looked into the impact of the financial crisis on Munich Re again in the financial year ended. A recurrent item of discussion was asset management. The Group's risk situation was debated and monitored regularly. Finally, the Audit

Committee discussed risk management and risk strategy developments with the Chief Risk Officer. In accordance with the agreed guidelines, the Chief Risk Officer also informed the Audit Committee directly of individual risk-relevant decisions, and the Board of Management promptly informed the committee whenever limits were exceeded.

In three meetings in 2010, the Nomination Committee conferred about a successor to Dr. Thomas Wellauer, who left the Supervisory Board as at 30 September 2010. At the same time, it adjusted the set of criteria for selecting suitable Supervisory Board members to incorporate the new recommendations by the German Corporate Governance Code and the objectives decided on by the full Supervisory Board regarding future appointments to the Supervisory Board. This set of criteria served as a basis for selecting suitable candidates. At the committee's suggestion and with the consent of the shareholder representatives, the Supervisory Board proposes that Annika Falkengren, President and CEO of Skandinaviska Enskilda Banken (SEB) be elected by the 2011 Annual General Meeting for the Supervisory Board's remaining term of office.

The Conference Committee as per item 7.5 of the rules of procedure for the Supervisory Board did not need to be convened in the financial year ended.

Corporate governance and declaration of conformity

The Supervisory Board concerned itself intensively with the amendments to the German Corporate Governance Code, in particular the subject of diversity. It formulated objectives for the future composition of the Supervisory Board, further details of which are available in the corporate governance report on page 26. Furthermore, it agreed that all Supervisory Board members would be offered annual internal briefing sessions similar to those conducted for new Supervisory Board members in 2009.

The Standing Committee analysed the efficiency of the Supervisory Board's work in the year under review using an extensive questionnaire. The outcome of the survey and proposals for implementing improvements were presented to the full Supervisory Board.

In November 2010, the Board of Management and Supervisory Board submitted their annual declaration of conformity with all the recommendations of the German Corporate Governance Code as per Section 161 of the German Stock Companies Act and their intention to continue complying with it in future. Further information on corporate governance in general is available in the joint report of the Board of Management and Supervisory Board on page 22.

Changes on the Supervisory Board

As at 12 February 2010, Dr. Benita Ferrero-Waldner was appointed by the Registration Court to the Supervisory Board to replace the late Prof. Karel Van Miert, who died on 23 June 2009. The Annual General Meeting on 28 April 2010 elected her for the Supervisory Board's remaining term of office.

Dr. Thomas Wellauer, who had been a member of Munich Re's Supervisory Board since 22 April 2009, resigned from office for professional reasons as at 30 September 2010. We thank him for his valuable – unfortunately only brief – contribution to the work of the Supervisory Board.

Company and Group financial statements

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft duly audited the following documents and gave them an unqualified auditor's opinion: the Company and Group management reports and financial statements as at 31 December 2010. The respective reports and the Board of Management's proposal for appropriation of the net retained profits were submitted directly to the members of the Supervisory Board. At its meeting on

2 February 2011, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2010. On 8 March 2011, they prepared the Supervisory Board's resolution on the adoption of the Company financial statements and the approval of the Group financial statements. To this end, the Audit Committee examined the Company and Group financial statements, the management reports and the Board of Management's proposal for appropriation of the net retained profits. It discussed these at length with the auditor present at the meeting and also gave detailed consideration to the auditor's reports. The Chairman of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations at the balance sheet meeting on 9 March 2011.

The Supervisory Board also checked the Company and Group financial statements and management reports and the proposal of the Board of Management for appropriation of the net retained profits. After conducting its own concluding examination and having heard the auditor's report, the Supervisory Board had no objections and agreed to the outcome of the external audit. It approved the Company and Group financial statements on 9 March 2011. The financial statements were thus adopted. Having carefully weighed all the relevant aspects, the Supervisory Board also agreed with the Board of Management's proposal for appropriation of the net retained profits.

Words of thanks to the Board of Management and employees

The Supervisory Board wishes to thank all the members of the Board of Management and staff for their personal commitment and excellent work, which is reflected in a gratifying business result for Munich Re.

Munich, 9 March 2011

For the Supervisory Board



Dr. Hans-Jürgen Schinzler
Chairman

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.

Structure of the remuneration system for the Board of Management

Component	Share ¹	Assessment basis/ parameters	Corridor	Precondition for payment	Payment
Basic remuneration plus remuneration in kind/ fringe benefits (company car, healthcare, security measures, insurance)	30%	Function Responsibility Length of service on Board	Fixed	Contractual stipulations	Monthly
Variable remuneration	70%	Corporate performance Result contribution of organisational unit(s) Personal performance			
30% annual performance (for 100% achievement of objectives)		Group objective Company objective Divisional objectives Individual objectives	0-200% (fully achieved = 100%)	Achievement of annual objectives	In the second year, on condition that 50% of the net amount paid out is invested by the Board member in Munich Re shares that must be held for at least a four-year period
70% multi-year performance (for 100% achievement of objectives)		Objectives for the business fields - reinsurance - primary insurance - Munich Health Individual objectives	0-200% (fully achieved = 100%)	Achievement of three-year objectives	In the fourth year, on condition that 25 % of the net amount paid out is invested by the Board member in shares that must be held for at least a two-year period
Pension				> Retirement > Insured event > Premature termination or non-extension of employment contract under certain circumstances	-
a) Defined benefits plan (Board members appointed before 2009 who had reached the age of 55 in 2008)	-	Pensionable basic remuneration (= 25% of target overall direct remuneration) Number of years on the Board	Fixed		
b) Defined contribution plan (Board members appointed before 2009 who had not reached the age of 55 in 2008 and Board members appointed since 2009)	-	Target overall direct remuneration	Pension contribution		

¹ For the variable remuneration, the share shown presupposes 100% achievement of the objectives.

Fixed components

Basic remuneration

The fixed annual basic remuneration is paid in the form of a monthly salary.

Remuneration in kind/fringe benefits

Remuneration in kind and fringe benefits are granted according to function, and are commensurate with market conditions (DAX 30 companies). Income tax on the benefits in question is paid individually for each member of the Board of Management, with the Company bearing the amount due. Remuneration in kind and fringe benefits are valued on the basis of expenditure for disclosure in the annual report.

Variable remuneration

The variable remuneration component is geared to the overall performance of the Group and defined organisational units and to the personal performance of the individual members of the Board of Management. Its amount depends on the degree to which annually set objectives for annual and multi-year performance are met. Achievement of objectives is measured at the end of the performance terms, there being no adjustment of the targets during these periods. Payouts are made at the end of the one- and three-year periods under consideration. With a view to promoting a management approach that takes due account of the Company's long-term interests, the members of the Board of Management are obliged to invest 50% and 25% of the paid-out variable remuneration in Munich Reinsurance Company shares.

Variable remuneration based on annual performance

Annual performance targets for the variable remuneration component geared to annual performance are set on the basis of divisional results and individual objectives as well as the Company result (property-casualty) and Munich Re (Group) result. 30% of the target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives. The targets and scaling for Group, Company and divisional objectives are geared to particular indicators, while individual objectives form the basis for the achievement of personal targets. The key indicator used for the Group result is RORAC (return on risk-adjusted capital), which is derived from key figures in external accounting and from other important portfolio and performance data. Information on the definition of RORAC is provided on page 58. The performance measures embodied in value-based management are used for the Company result and the divisional results. The objectives are weighted individually according to the responsibilities of the individual members of the Board of Management.

The variable remuneration for annual performance is reviewed and decided on by the full Supervisory Board and then paid out in the year after the one-year period under consideration. Payment is effected on condition that 50% of the net payout amount is invested in Munich Reinsurance Company shares that must be held for at least a four-year period.

Variable remuneration based on multi-year performance

For the multi-year performance remuneration component, three-year targets based on the performance of the reinsurance, Munich Health and primary insurance segments and on individual objectives are fixed every year. 70% of the target amount for variable remuneration can be earned in the event of full achievement (= 100%) of the objectives. The targets and scaling for the business field targets are geared to VBM performance indicators, and the individual targets are based on individual objectives. The objectives are weighted individually according to the responsibilities of the individual members of the Board of Management.

The variable remuneration for the multi-year performance is reviewed and decided on by the full Supervisory Board and then paid out in the year after the three-year period under consideration. Payment is effected on condition that 25% of the net payout amount is invested in Munich Reinsurance Company shares that must be held for at least a two-year period.

Full and pro-rata calculation of the variable remuneration for annual and multi-year performance

The basis for the full and pro-rata calculation of the variable remuneration is the first year. Only the full "eligible" months in this year are taken into account (pro rata temporis). In the case of retirement, occupational disability, death or premature departure from the company for other reasons, the rules for the full and pro-rata calculation apply.

Share-based remuneration agreements in force during the reporting period

Mid-Term Incentive Plan 2009-2011

This plan is based on performance over a three-year period. It promotes the medium- and long-term increase in Munich Re's value in terms of internal value creation (value-based success factors) and improvement in the total shareholder return (TSR) of Munich Re shares. The plan provides for the granting of performance share units, free of charge, to members of the Board of Management for the first and last time for 2009. Plan participants have the opportunity to share in the development of Munich Re's value if they achieve their performance targets and increase the TSR.

For the value-based performance objectives, three-year average targets are set for each of the business fields reinsurance, primary insurance and Munich Health. Achievement of objectives is measured at the end of the plan's term, there being no adjustment of the targets during the course of the plan.

The TSR represents the total return on shares, comprising both the rise in the share price and the dividends paid over a period of three years. Further information on the Mid-Term Incentive Plan can be found in the notes to the financial statements under (45) Mid-Term Incentive Plan.

Long-Term Incentive Plan

This remuneration component, with a long-term perspective, is linked to the sustained appreciation of Munich Re's share price. The Long-Term Incentive Plan, launched every year since 1999, was set up for the members of the Board of Management for the last time in 2009. The participants were granted a certain number of stock appreciation rights. These can only be exercised if, after a two-year vesting period, Munich Re's share price has risen by at least 20% since inception of the plan and the shares have outperformed the EURO STOXX 50 index at least twice over a three-month period during the term of the plan.

Whether the stock appreciation rights can be exercised and, if so, when, is not certain. The exercising and proceeds depend on the development of the share price and on fulfilment of the exercise conditions. The amount of income is limited. Up to now, it has only been possible to exercise stock appreciation rights under the plans set up in 1999 and 2003 to 2005. Further information on the Long-Term Incentive Plan can be found in the notes to the financial statements under (44) Long-Term Incentive Plan.

Weighting of remuneration components

In the case of 100% achievement of objectives (annual performance and multi-year performance), the weightings of the individual components in terms of total remuneration for 2010 were as follows: basic remuneration around 30% and variable remuneration around 70%, of which 30% was based on annual performance and 70% on multi-year performance. Annual objectives, multi-year objectives and investment in shares together form a well-balanced and economic, i.e. strongly risk-based, incentive system, designed to ensure that the targets set for the members of the Board of Management do not have undesirable effects. No guaranteed variable salary components are granted.

All in all, the remuneration system for members of the Board of Management was in conformity with the recommendations of the German Corporate Governance Code for 2010. In particular, it also complies with the German regulation of 6 October 2010 on the supervisory law requirements for remuneration schemes in the insurance sector (VersVergV), which in its material points largely corresponds to the German Federal Financial Supervisory Authority's Circular 23/2009 of 21 December 2009. In the circular in question, which was superseded by the VersVergV, the Supervisory Authority had specified in more detail for the German insurance industry the Financial Stability Board principles whose implementation the G20 states had agreed on at their summit meeting in Pittsburgh in September 2009.

Beyond the actual remuneration system, the level of total remuneration has been set and regularly monitored by the full Supervisory Board since 2010, acting on recommendations from the Supervisory Board's Personnel Committee. The consideration of what is appropriate remuneration takes into account data from peer-group companies and the relation to remuneration of other Munich Re employees. Criteria also include the respective Board member's duties, the Board member's personal performance, the performance of the Board as a whole and the financial situation, performance and future prospects of Munich Re. New Board members are generally placed at a level which allows sufficient potential for development in the first three years.

Continued payment of remuneration in the case of incapacity to work

In the case of temporary incapacity to work due to illness or for other cause beyond the Board member's control, the remuneration is paid until the end of the contract of employment. The Company may terminate the contract prematurely if the Board member is incapacitated for a period of longer than 12 months and it is probable that he will be permanently unable to fully perform the duties conferred on him (permanent incapacity to work). In this event, the Board member will receive a disability pension.

Other remuneration

In the case of seats held on other boards, remuneration for board memberships must be paid over to the Company or is deducted in the course of regular remuneration computation. Exempted from this is remuneration for memberships explicitly recognised by the Company as private.

The members of the Board of Management have no contractual entitlement to severance payments. If the Board member's activities on the Board are terminated prematurely without good cause within the meaning of Section 626 of the German Civil Code, payments due may not surpass the equivalent of two years' total remuneration (three years' total remuneration in the event of acquisition of a controlling interest or change of control within the meaning of Section 29 para. 2 of the German Securities Acquisition and Takeover Act) and may not cover more than the remaining period of the employment contract. The calculation is to be based on the overall remuneration for the past financial year and, if necessary, on the probable overall remuneration for the current financial year.

In the event of a change of control, only the conditions of the Long-Term Incentive Plan (under which stock appreciation rights were granted to members of the Board of Management for the last time in 2009) provide for special exercise options. Details of this are available in the notes to the financial statements under (44) Long-Term Incentive Plan.

Pensions

Up to and including 2008, the members of the Board of Management were members of a defined benefit plan, providing for payment of a fixed pension amount depending on their basic remuneration and years of service on the Board. The pension level started at 30% and could reach a maximum of 60% of annual basic remuneration.

Beginning in 2009, pension plans for Board members were changed to a defined contribution system. The main aim of this change was the fullest possible outsourcing of all pension-specific risks from the Company's balance sheet. This major risk transfer was achieved by financing increases in entitlements exclusively by paying premiums into insurance policies concluded to cover these benefit obligations. This means the Company is no longer liable for the pension benefits, as these are covered by the aforementioned insurance policies. The longevity risk, the biometric risks of premature occurrence of a pensionable event (e.g. disability or death of a member of the Board during active service), and the capital market risk were thus transferred to the insurer and the individual Board members.

As of 2009, newly appointed members of the Board thus become members of a defined contribution plan. For this plan, the Company provides the Board members with a pension contribution, which in 2009 was related to basic remuneration, for each calendar year (contribution year) during the term of their contract. The pension contribution is paid over to an external pension insurer. This insurer's guaranteed interest rate is 2.25%. The insurance benefits that result from the contribution payments to the external insurer constitute the Company's pension commitment to the Board member. For Board members newly appointed as from 1 January 2009, a uniform pension contribution rate has been set; the annual basic remuneration is multiplied by this rate to arrive at the pension contribution payable.

Board members who had not reached the age of 55 by the end of 2008 maintained as a vested pension their pension entitlement under the previous defined benefit plan (fixed amount in euros) existing at the point of transition on 31 December 2008. As of 1 January 2009, these Board members receive an incremental pension benefit generally based on the defined contribution plan for new Board members. Since the conversion of the pension system took place while Board members' contracts were in force, the pension contributions were calculated in such a way that the total of vested pension, pension-fund pension and incremental pension benefit results in an expected pension at age 60 equivalent to that of the previous pension benefit based on realistic estimates.

Board members who had already reached the age of 55 at the conversion date were not transferred to the defined contribution system and remain members of the previous system's defined benefit plan.

Owing to the increase from 25% to 30% in the share of basic remuneration in overall remuneration as at 1 January 2010, there has been a change in the assessment basis for the Board members' pensions. An unintended rise in the pensions would otherwise have been the consequence. From 1 January 2010 onwards, the defined benefits are fixed on the basis of "pensionable basic remuneration", which corresponds to 25% of the target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives). In the case of the defined contribution plan, the rate is fixed on the basis of the target overall direct remuneration.

Benefits on termination of employment

Occupational pension // Board members are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60 or, at the latest, 65.

Benefit amount:

- // For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum
- // For Board members transferred from the old system to the new: Vested pension from the defined benefit plan up to 2008 and annuity or lump sum from the policy reserve under the defined contribution plan
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration

Disability pension // Board members are entitled to a disability pension if, due to permanent incapacity to work, their contract ends by mutual agreement, is terminated by the Company, or their appointment is not extended or revoked. Permanent incapacity to work means if the Board Member is incapacitated for a period of longer than 12 months and it is probable that he will be permanently unable to fully perform the duties conferred on him.

Benefit amount:

- // For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // Under the defined contribution plan for new members as from 2009: 80% of the insured occupational pension up to the age of 59, with subsequent occupational pension
- // For Board members transferred from the old system to the new: Vested pension from the defined benefit plan up to 2008 and 80% of the insured occupational pension benefit up to age 59 with subsequent occupational pension based on the defined contribution plan
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of pensionable basic remuneration

Reduced occupational pension on early retirement // Board members are entitled to an occupational pension if the contract of employment is terminated as a result of non-extension or revocation of the Board member's appointment without the Board member having given cause for this through a gross violation of his duties or at his own request. The precondition is that the Board member has already passed the age of 50, has been in the employment of the Company for more than ten years when the contract terminates, and has had his appointment to the Board of Management extended at least once.

Benefit amount:

- // For a period of six months, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum at the date the pension benefit is claimed
- // For Board members transferred from the old system to the new: Entitlement of between 30% and 60% of pensionable remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday; the Company assumes payment of the difference between the monthly occupational pension and the monthly incremental pension from the external insurance. The policy reserve available at the date the pension benefit is claimed can be paid out as an annuity or as a lump sum.
- // In the case of defined benefit plans: Defined benefit of between 30% and 60% of the pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday

Vested benefits for occupational pension, disability pension and surviving dependants // Vested benefits are paid upon the Board member reaching the age of 60, in the case of incapacity to work, or in the event of the Board member's death.

Vested benefits under the German Employers' Retirement Benefits Act // Board members have vested benefits under the German Employers' Retirement Benefits Act if they leave the Company before reaching the age of 60 and the pension commitment has existed for at least five years before.

Benefit amount:

- // Under the defined contribution plan for new members as from 2009: Annuity based on the policy reserve built up under the external insurance or payment of the policy reserve as a lump sum at the date the insured event occurs
- // For members of the Board of Management transferred from the old system to the new: The entitlement under the vested pension is a proportion of the vested pension based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether up to the fixed retirement age (Section 2 para. 1 of the German Employers' Retirement Benefits Act). The entitlement from the incremental pension comprises the pension benefits fully financed under the insurance contract up to the occurrence of the insured event based on the pension contributions made up to the date of leaving the Company (Section 2 para. 5a of the German Employers' Retirement Benefits Act). This entitlement is paid out as an annuity or a lump sum.
- // In the case of defined benefit plans: The defined benefit is between 30% and 60% of the pensionable basic remuneration. The vested benefits are a proportion of the occupational pension, based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether until his 65th birthday (Section 2 para. 1 of the German Employers' Retirement Benefits Act)

Improved vested benefits // Improved vested benefits are granted if the contract ends owing to non-extension of the Board member's appointment (by the Company) but not due to gross violation of duties or to the Board member giving notice. A further precondition is that the Board member leaves the Board before reaching the age of 60 and has at least ten years' service with the Company.

The improved vested benefits do not apply to Board members appointed as from 2009. For Board members transferred from the old system to the new, the improved vested benefits apply only to that part of their pension resulting from the vested pension under the defined benefit plan.

Benefit amount:

- // For a period of six months after leaving the Board, previous monthly basic remuneration (only for Board members appointed prior to 2006)
- // For the share from the defined benefit plan: Defined benefit of between 30% and 60% of the pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 60th birthday

Provision for surviving dependants

In the event of the death of a Board member during active service, the surviving dependants receive the previous monthly basic remuneration for a period of six months if the deceased was appointed to the Board of Management before 2006. In the case of Board members appointed as from 2006, the previous monthly basic remuneration is paid to the beneficiaries for a period of three months. If the Board member's death occurs after retirement, the surviving dependants receive the previous monthly occupational pension for a period of three months, provided the marriage/registration of the civil partnership took place and/or the child was born before the Board member started drawing the occupational pension. If the Board member's occupational pension was reduced owing to early retirement, pensions for surviving dependants are based on the reduced occupational pension.

Subsequently, surviving dependants of a Board member who dies during active service or after retirement receive the following benefits:

- // Widow(er)'s pension or pension for registered civil partner amounting to 60% of the defined benefit or insured occupational pension. If the spouse or registered civil partner is more than ten years younger than the Board member, the surviving

- dependant's pension will be reduced by 2% for each year or part thereof of age difference, but by not more than 50%.
- // Orphan's pension amounting to 20% of the defined benefit or insured occupational pension per orphan.
 - // Doubling of the orphan's pension if no widow(er)'s pension or pension for registered civil partner is payable.
 - // Surviving dependants' pensions together may not exceed the occupational pension of the Board member. If necessary, the orphans' pensions will be reduced proportionally.

The benefits for surviving dependants for widow(er)s or registered civil partners if the marriage or registered civil partnership was not contracted until a point in time when the Board Member was already drawing the occupational pension, and for orphans if they were not born until after such a point in time. The entitlement for orphans ceases on their reaching the age of 18 (or 20 for orphans of Board members transferred from the old system to the new). For orphans who are in full-time education or vocational training, doing military or civilian service, or unable to support themselves owing to a physical or mental disability, the entitlement is extended until they reach the age of 25 (or 27 for orphans of Board members transferred from the old system to the new). The entitlement to a surviving dependant's pension under the defined contribution plan ceases if the Board member draws the pension in the form of a lump sum. Pensions for surviving dependants cease upon their death.

Pension adjustment

In the case of Board members appointed before 2009, occupational pensions and pensions for surviving dependants are reviewed for adjustment if salaries payable under pay-scale agreements in the insurance industry have increased by more than 12% (based on the average final salary of all pay-scale categories) since the pensions were last fixed or more than three years have passed since that date. The adjustment made will at least be in line with the increase in the cost of living in the meantime according to the consumer price index for Germany. This arrangement also applies to Board members newly appointed as from 2009 and receiving a pension commitment from the Company for the first time before 1 January 1999. For Board members appointed as from 2009 who did not receive a pension commitment from the Company before 1 January 1999, occupational pension and benefits for surviving dependants are adjusted by 1% annually from the date when the pension or benefit in accordance with Section 16 para. 3 item 1 of the German Employers' Retirement Benefits Act starts being drawn. Vested benefits are not adjusted.

Total remuneration of the Board of Management

The basis for reporting the remuneration of Board members is German Accounting Standard No. 17 (DRS 17, revised 2010), according to which the amount shown as remuneration for annual performance is the provision established for that remuneration, since the performance on which the remuneration is based has been completed by the balance sheet date and the requisite Board resolution is already foreseeable. Under the above-mentioned standard, remuneration for multi-year performance is not recognised until the year of payment. The members of Munich Reinsurance Company's Board of Management received remuneration totalling €11.7m (17.8m) for fulfilment of their duties in respect of the parent company and its subsidiaries in the financial year. Total remuneration thus shows a reduction of €6.1m compared with the previous year. The main reasons for this are that, firstly, no performance share units or stock appreciation rights were granted in 2010 and, secondly, provisions for multi-year performance 2010-2012 may not be recognised in remuneration in the year under review, since the underlying performance has not yet been completed.

Remuneration of individual Board members as per DRS 17 (revised 2010)
(in accordance with Section 285 sentence 1 item 9a sentences 5-8 of the German Commercial Code and Section 314 para. 1 item 6a sentences 5-8 of the German Commercial Code)

Name	Financial year	Basic remuneration	Remuneration in kind/fringe benefits	Annual performance (2010)	Value of performance share units granted ^{2,3}	Value of stock appreciation rights granted ⁴	Total	Number of performance share units	Number of stock appreciation rights
				Annual bonus (2009) ¹					
		€	€	€	€	€	€		
Dr. Nikolaus von Bomhard ⁵	2010	1,092,000	214,809	1,030,666	-	-	2,337,475	-	-
	2009	910,000	35,490	1,240,750	728,000	505,651	3,419,891	4,306	30,333
Dr. Ludger Arnoldussen	2010	519,000	37,136	685,040	-	-	1,241,176	-	-
	2009	400,000	37,358	482,825	320,000	222,261	1,462,444	1,893	13,333
Dr. Thomas Blunck	2010	519,000	27,829	640,923	-	-	1,187,752	-	-
	2009	432,500	64,371	569,301	346,000	240,331	1,652,503	2,046	14,417
Georg Daschner	2010	570,000	31,536	582,541	-	-	1,184,077	-	-
	2009	475,000	33,604	911,418	380,000	263,936	2,063,958	2,247	15,833
Dr. Torsten Jeworrek	2010	750,000	31,744	754,583	-	-	1,536,327	-	-
	2009	600,000	32,948	986,202	480,000	333,400	2,432,550	2,839	20,000
Dr. Peter Röder	2010	480,000	31,983	524,160	-	-	1,036,143	-	-
	2009	350,000	28,488	612,815	280,000	194,489	1,465,792	1,656	11,667
Dr. Jörg Schneider	2010	780,000	35,730	685,230	-	-	1,500,960	-	-
	2009	650,000	39,458	873,950	520,000	361,189	2,444,597	3,075	21,667
Dr. Wolfgang Strassl	2010	519,000	28,747	258,383	-	-	806,130	-	-
	2009	432,500	26,600	516,652	346,000	240,331	1,562,083	2,046	14,417
Dr. Joachim Wenning	2010	420,000	23,517	389,004	-	-	832,521	-	-
	2009	300,000	92,732	471,240	240,000	166,700	1,270,672	1,419	10,000
Total	2010	5,649,000	463,031	5,550,530	-	-	11,662,561	-	-
	2009	4,550,000	391,049	6,665,153	3,640,000	2,528,288	17,774,490	21,527	151,667

¹ At the time of preparation of this report, no Board resolution had yet been passed on the amounts to be paid for 2010. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted. For the 2009 annual bonus, a total of €271,830 more was paid out than had been reserved. The amounts for the 2010 annual performance have been increased accordingly.

² Performance share units were granted for the first and last time for the financial year under the Mid-Term Incentive Plan 2009-2011.

³ The total expenditure recognised in 2010 (expenses for reserves due to the development in value of the performance share units from the 2009-2011 plan) for the Mid-Term Incentive Plan 2009-2011 breaks down as follows: von Bomhard €116,266, Arnoldussen €130,399, Blunck €140,856, Daschner €154,685, Jeworrek €195,400, Röder €114,001, Schneider €83,182, Strassl -€8,495, Wenning €97,589.

⁴ The total expenditure recognised in 2010 (expenses for/release of reserves due to the development in value of the stock appreciation rights from the 2003-2009 plans) for the long-term incentive plans breaks down as follows: von Bomhard €133,025.60, Arnoldussen €15,205.80, Blunck -€10,595.78, Daschner €48,892.63, Jeworrek €86,380.56, Röder €19,092.36, Schneider €77,035.80, Strassl -€37,320.55, Wenning -€3,799.37.

⁵ Remuneration in kind/fringe benefits including anniversary payment.

The Mid-Term Incentive Plan 2009-2011 and the Long-Term Incentive Plan 2009 are accounted for at fair value at the granting date. Details of the fair value are provided in the notes to the financial statements under (45) Mid-Term Incentive Plan and (44) Long-Term Incentive Plan. Whether these variable component amounts will actually be paid out to the Board members and, if so, how high the sums will be, is not yet certain and will depend on the degree to which individual objectives are achieved, on share-price development and on the fulfilment of the exercise conditions of the long-term incentive plans. Future obligations arising from the long-term incentive plans are safeguarded in such a way that the expenses resulting from a growth in value of the stock appreciation rights are neutralised as far as possible by an increase in the value of the share portfolio.

The following table shows the amounts payable for the variable remuneration under the newly structured remuneration system as at 1 January 2010.

Amounts payable for the variable remuneration of the individual Board members in the event of full achievement of objectives of full achievement of objectives (= 100%) as per DRS 17 (revised 2010)

Corridor 0-200%

Name	Annual performance ^{1, 3}			Multi-year performance ^{2, 3}			Total amounts payable
	Set	for	€	Set	for	€	€
Dr. Nikolaus von Bomhard	2010	2011	798,000	2010	2011	1,862,000	2,660,000
	2009	2010	764,400	2009	2010	1,783,600	2,548,000
Dr. Ludger Arnoldussen	2010	2011	363,300	2010	2011	847,700	1,211,000
	2009	2010	363,300	2009	2010	847,700	1,211,000
Dr. Thomas Blunck	2010	2011	378,000	2010	2011	882,000	1,260,000
	2009	2010	363,300	2009	2010	847,700	1,211,000
Georg Daschner	2010	2011	409,500	2010	2011	955,500	1,365,000
	2009	2010	399,000	2009	2010	931,000	1,330,000
Dr. Torsten Jeworrek	2010	2011	546,000	2010	2011	1,274,000	1,820,000
	2009	2010	525,000	2009	2010	1,225,000	1,750,000
Dr. Peter Röder	2010	2011	363,300	2010	2011	847,700	1,211,000
	2009	2010	336,000	2009	2010	784,000	1,120,000
Dr. Jörg Schneider	2010	2011	567,000	2010	2011	1,323,000	1,890,000
	2009	2010	546,000	2009	2010	1,274,000	1,820,000
Dr. Wolfgang Strassl	2010	2011	378,000	2010	2011	882,000	1,260,000
	2009	2010	363,300	2009	2010	847,700	1,211,000
Dr. Joachim Wenning	2010	2011	336,000	2010	2011	784,000	1,120,000
	2009	2010	294,000	2009	2010	686,000	980,000
Total	2010	2011	4,139,100	2010	2011	9,657,900	13,797,000
	2009	2010	3,954,300	2009	2010	9,226,700	13,181,000

¹ At the time of preparation of this report, no Board resolution had yet been passed on the amounts to be paid for 2010. The amount shown for annual performance remuneration is based on estimates and the relevant provisions posted in the table on page 37.

² The remuneration set for multi-year performance for 2010 is payable in 2013, that for 2011 in 2014.

³ The information on the calculation bases and parameters on page 30 for the amounts set for 2010 also apply to the amounts set for 2011.

Pension entitlements

Personnel expenses of €4.1m (4.0m) were incurred in the financial year 2010 to finance the pension entitlements for active members of the Board of Management. Of these, €1.0m was apportionable to defined benefit plans and €3.1m to defined contribution plans. As a consequence of the risk transfer to an external insurer under the defined contribution system, the visible pension costs since 2009 are noticeably higher. The Company accepts this increase in order to avoid higher costs in future and to eliminate long-term pension-specific risks. The following defined benefits, present values, contribution rates and personnel expenses result for the individual members of the Board of Management:

Pension entitlements

Name	Financial year	Defined benefit plan		
		Defined benefit ¹ €/year	Present value of defined benefit as at 31 December	Personnel expenses for provisions ²
			€	€
Dr. Nikolaus von Bomhard ^{3, 8}	2010	407,100	7,983,206	274,756
	2009	407,100	6,549,884	265,663
Dr. Ludger Arnoldussen ^{4, 8}	2010	157,500	961,497	194,733
	2009	157,500	796,419	192,923
Dr. Thomas Blunck ^{5, 8}	2010	120,000	1,172,379	82,711
	2009	120,000	883,757	79,922
Georg Daschner ^{6, 8}	2010	199,500	5,544,535	0
	2009	190,000	4,565,015	65,676
Dr. Torsten Jeworrek ^{7, 8}	2010	171,000	2,518,857	102,438
	2009	171,000	1,987,220	98,898
Dr. Peter Röder ^{3, 8}	2010	90,000	1,370,292	55,272
	2009	90,000	1,107,930	53,513
Dr. Jörg Schneider ^{3, 8}	2010	275,000	4,712,708	179,163
	2009	275,000	3,811,266	173,179
Dr. Wolfgang Strassl ^{3, 8}	2010	120,000	2,390,968	93,559
	2009	120,000	1,948,445	90,145
Dr. Joachim Wenning ^{4, 8}	2010	-	-	11,411
	2009	-	-	-
Total	2010	1,540,100	26,654,442	994,043
	2009	1,530,600	21,649,936	1,019,919

See table on next page for footnotes.

Pension entitlements

Name	Financial year	Pension contribution rate for target total direct remuneration %	Entitlement as at 31 December € /year	Defined contribution plan	
				Present value of entitlement as at 31 December €	Personnel expenses for provisions €
Dr. Nikolaus von Bomhard ^{3, 8}	2010	17.00	51,480	1,014,781	618,800
	2009	17.00	25,978	476,301	618,800
Dr. Ludger Arnoldussen ^{4, 8}	2010	14.75	22,144	403,689	255,175
	2009	14.75	10,742	181,900	236,000
Dr. Thomas Blunck ^{5, 8}	2010	16.25	26,504	449,741	281,125
	2009	16.25	13,375	209,640	281,125
Georg Daschner ^{6, 8}	2010	-	-	-	-
	2009	-	-	-	-
Dr. Torsten Jeworrek ^{7, 8}	2010	19.50	42,890	774,611	487,500
	2009	19.50	21,215	354,248	468,000
Dr. Peter Röder ^{3, 8}	2010	20.25	26,606	511,122	324,000
	2009	20.25	12,547	224,214	283,500
Dr. Jörg Schneider ^{3, 8}	2010	16.50	36,759	695,493	429,000
	2009	16.50	18,566	324,891	429,000
Dr. Wolfgang Strassl ^{3, 8}	2010	21.00	30,221	595,730	363,300
	2009	21.00	15,249	279,590	363,300
Dr. Joachim Wenning ^{4, 8}	2010	25.50	26,089	- ⁹	357,000
	2009	25.50	12,159	-	306,000
Total	2010		262,693	4,445,167	3,115,900
	2009		129,831	2,050,784	2,985,725

¹ In the case of Board members transferred from the old system to the new, the amount corresponds to the value of the vested pension at 31 December 2008; in the case of Mr. Daschner, it corresponds to the defined benefit at 31 December.

² Expenses for defined benefit plan, including provision for continued payment of salary for surviving dependants.

³ Entitled to a reduced occupational pension on early retirement in the event of premature or regular termination of employment.

⁴ Entitled to vested benefits under the German Company Pensions Act in the event of premature or regular termination of employment.

⁵ Entitled to vested benefits under the German Company Pensions Act in the event of premature termination of employment, and to improved vested benefits in the event of regular termination of employment.

⁶ No transfer to defined contribution system, as Board member had already reached 55 at the conversion date. Entitled to an occupational pension in the event of premature or regular termination of employment.

⁷ Entitled to vested benefits under the German Company Pensions Act in the event of premature termination of employment, and to a reduced occupational pension on early retirement in the event of regular termination of employment.

⁸ Entitled to occupational pension in the event of termination of employment owing to incapacity to work.

⁹ Defined contribution plan with the meaning of IAS 19, Employee Benefits, so no present value shown.

Remuneration structure for senior executives

In accordance with the German regulation on the supervisory law requirements for remuneration schemes in the insurance sector, Munich Re is currently reviewing its system of remuneration for senior executives and making necessary adjustments.

The fixed components for Munich Reinsurance Company senior executives comprise a fixed annual basic remuneration, paid out as a monthly salary, plus customary market fringe benefits and remuneration in kind (e.g. company car, insurance). The variable components are made up of the short-term components "performance-related bonus" and "Company result bonus", and the share-price-linked components Mid-Term Incentive Plan and Long-Term Incentive Plan.

The performance-related bonus is based on quantitative and qualitative objectives. We use indicators from operative planning for the quantitative objectives, while personal objectives are agreed on for the qualitative portion.

The key indicator used for the Company result bonus is RORAC. The targets correspond to the Group objective for the variable remuneration of members of the Board of Management. The Company result bonus basically takes the form of a "bonus pool" model. Depending on corporate performance, an aggregate amount is calculated that can be distributed between staff as a bonus. The higher the management level, the higher the target range under the Company result bonus. The way this bonus works ensures that the performance of Munich Re as a whole is systematically reflected in the remuneration of staff and that the bonus amount bears a reasonable relationship to overall corporate performance.

The Mid-Term-Incentive Plan, with a duration of three years, and the Long-Term Incentive Plan, with a duration of seven years, are based on the corresponding plans for members of Munich Reinsurance Company's Board of Management, as explained on page 31. Besides the senior executives in Munich, the most important executives in Munich Reinsurance Company's international organisation also participate in the Long-Term Incentive Plan.

The individual variable components are granted at all management levels, but with different weighting. The weighting of the aggregate variable remuneration components for the first management level below the Board of Management is more than 50% of total remuneration. Proceeding down the management hierarchy, this percentage decreases successively, making up around one-third of total remuneration at the lowest management level. There is a well-balanced combination of short-, medium- and long-term components. The proportion of medium- and long-term remuneration is over 50% in the variable remuneration for the top management level, so that a longer-term incentive system is provided for. No guaranteed variable remuneration components are granted.

Total remuneration of the Supervisory Board

The rules in place since the financial year 2009 provide for a fixed remuneration component of €50,000 for each member of the Supervisory Board, plus a variable result-related component and a component based on long-term corporate performance. The Chairman of the Supervisory Board receives twice, and the Deputy Chairman one-and-a-half times, the fixed remuneration and the variable remuneration.

The variable result-related remuneration is based on the undiluted earnings per share from continuing operations, as shown in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs): each Supervisory Board member receives €4,000 for each full euro by which earnings per share exceed €12, but a maximum of €40,000. Based on earnings per share of €13.06, variable result-related remuneration is thus payable for the financial year 2010. The performance-related remuneration component with long-term incentivisation was introduced in accordance with the German Corporate Governance Code. This amounts to €10,000 and is paid out if earnings per share in the remuneration year exceed earnings per share in the third financial year preceding the remuneration year by at least 30%. No long-term remuneration component is payable for the remuneration year 2010.

Members of the Supervisory Board committees receive an additional amount of 50% of their fixed remuneration, with the chairmen of the committees receiving 100%. This takes account of the substantial workload involved.

The total remuneration of each Supervisory Board member is limited to three times the fixed remuneration, thus ensuring that the overall remuneration of individual Supervisory Board members remains appropriate even if further committees are set up.

Remuneration of Supervisory Board members in accordance with Article 15 of the Articles of Association¹

Name	Financial year	Fixed remuneration		Result-related remuneration	Total
		Annual	For committee work ²	Annual	
		€	€	€	€
Dr. Hans-Jürgen Schinzler	2010	125,000.00	139,000.00	10,000.00	274,000.00
Chairman	2009	125,000.00	143,000.00	0.00	268,000.00
Hans Peter Claußen	2010	75,000.00	25,000.00	6,000.00	106,000.00
Deputy Chairman	2009	52,191.78	17,397.26	0.00	69,589.04
Herbert Bach	2010	50,000.00	50,000.00	4,000.00	104,000.00
	2009	57,808.22	50,000.00	0.00	107,808.22
Dina Bösch	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Frank Fassin	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Dr. Benita Ferrero-Waldner (from 12.2.2010)	2010	44,246.57	-	3,539.73	47,786.30
	2009	-	-	-	-
Christian Fuhrmann	2010	50,000.00	35,000.00	4,000.00	89,000.00
	2009	34,794.52	21,397.26	0.00	56,191.78
Prof. Dr. Peter Gruss	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Prof. Dr. Henning Kagermann	2010	50,000.00	64,000.00	4,000.00	118,000.00
	2009	50,000.00	58,465.75	0.00	108,465.75
Peter Löscher	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Wolfgang Mayrhuber	2010	50,000.00	25,000.00	4,000.00	79,000.00
	2009	50,000.00	17,397.26	0.00	67,397.26
Silvia Müller	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Marco Nörenberg	2010	50,000.00	35,000.00	4,000.00	89,000.00
	2009	34,794.52	21,397.26	0.00	56,191.78
Reinhard Pasch	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Dr. Bernd Pischetsrieder	2010	50,000.00	56,000.00	4,000.00	110,000.00
	2009	50,000.00	58,000.00	0.00	108,000.00
Anton van Rossum	2010	50,000.00	35,000.00	4,000.00	89,000.00
	2009	34,794.52	21,397.26	0.00	56,191.78
Andrés Ruiz Feger	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Richard Sommer	2010	50,000.00	-	4,000.00	54,000.00
	2009	34,794.52	-	0.00	34,794.52
Dr. Ron Sommer	2010	50,000.00	-	4,000.00	54,000.00
	2009	50,000.00	-	0.00	50,000.00
Dr. Thomas Wellauer (until 30.9.2010)	2010	37,397.26	-	2,991.78	40,389.04
	2009	34,794.52	-	0.00	34,794.52
Total	2010	1,081,643.83	464,000.00	86,531.51	1,632,175.34
	2009	852,534.24	408,452.05	0.00	1,260,986.29

¹ Plus turnover tax in each case, in accordance with Article 15 para. 6 of the Articles of Association.

² In the case of members of the Audit Committee and/or Nomination Committee, the amount includes attendance fees in accordance with Article 15 para. 4 of the Articles of Association.

Remuneration of Supervisory Board members for membership of supervisory boards at Munich Reinsurance Company subsidiaries, in accordance with the companies' respective articles of association¹

Name	Financial year	Fixed remuneration		Result-based remuneration	Total
		Annual ²	For committee work ²	Annual	
		€	€	€	
Hans Peter Claußen	2010	57,500.00	6,750.00	0.00	64,250.00
Deputy Chairman	2009	39,915.75	4,697.26	0.00	44,613.01
Frank Fassin	2010	31,441.78	-	0.00	31,441.78
	2009	31,565.07	-	0.00	31,565.07
Silvia Müller	2010	33,019.86	-	0.00	33,019.86
	2009	36,866.44	-	0.00	36,866.44
Marco Nörenberg	2010	33,389.73	13,691.10	0.00	47,080.83
	2009	37,828.08	15,394.52	0.00	53,222.60
Reinhard Pasch	2010	-	-	-	-
	2009	1,035.62	258.91	0.00	1,294.53
Richard Sommer	2010	31,343.15	-	0.00	31,343.15
	2009	31,565.07	-	0.00	31,565.07
Total	2010	186,694.52	20,441.10	0.00	207,135.62
	2009	178,776.03	20,350.69	0.00	199,126.72

¹ Plus turnover tax in each case, in accordance with the relevant provisions of the respective Group companies' articles of association.

² Including attendance fees in each case insofar as provided for under the relevant provisions of the Articles of Association.

Share trading and shares held by members of the Board of Management and the Supervisory Board

The Company has to be notified promptly of the acquisition or sale of Company shares (or financial investments based on these) by members of the Board of Management and Supervisory Board and by specified persons closely related to or connected with them. This notification must take place for acquisition and sales transactions totalling €5,000 or more in a single calendar year.

Under Section 10 para. 1 of the German Securities Prospectus Act, Munich Reinsurance Company is obliged to publish information of this kind on its website without delay as well as in an annual document.

The total number of Munich Reinsurance Company shares and financial instruments based on these held by all members of the Board of Management and Supervisory Board amounts to less than 1% of the shares issued by the Company.