

Updated overview of the structure of the remuneration system for the Board of Management from 2018

At its meeting on 14 March 2018, the Supervisory Board of Munich Reinsurance Company passed a resolution regarding the methodology for assessing the multi-year component “total shareholder return (TSR) of the Munich Re shares compared with a defined peer group” and determined the scaling to be applied.

The following overview of the structure of the remuneration system for the Board of Management from 2018 has been adapted accordingly and replaces the overview found on page 41 of the 2017 Group Annual Report.

Structure of the remuneration system for the members of the Board of Management from 2018

(Changes to the version published in the 2017 Group Annual Report are shown in italics)

Component	Share ¹	Assessment basis/ parameters	Corridor	Performance evaluation
Basic remuneration plus remuneration in kind/ fringe benefits	50%	Function, responsibility, Length of service on Board	Fixed	
Variable remuneration	50%	Corporate performance Result of divisional unit Personal performance		
30% annual bonus (for 100 % performance evaluation)		IFRS consolidated result	Linear scaling 0–200% (fully achieved = 100 %)	Achievement of annual objective
Bonus scheme spanning one calendar year				Evaluation of overall performance: Adjustment of achievement figures by the Supervisory Board, taking into account
70% multi-year bonus (for 100 % performance evaluation)		Total shareholder return (TSR) of Munich Re shares compared with a defined peer group	Linear scaling ³ 0–200%	Performance of Munich Re shares compared with peer group
Bonus scheme spanning five calendar years		(Peer group: Allianz, Axa, Generali, Hannover Re, SCOR, Swiss Re, Zurich Insurance Group)	<i>0% = lowest TSR in the peer group incl. Munich Re</i> <i>200% = highest TSR in the peer group incl. Munich Re</i>	– individual and collective management performance; – financial situation, performance and future prospects of the Company. Loading/reduction of up to 20 percentage points.
Pension				
Defined contribution plan		Target overall direct remuneration ²	Pension contribution	> Retirement > Insured event > Premature termination

1 For the variable remuneration, the share shown presupposes 100% performance evaluation.

2 Target overall direct remuneration comprises basic remuneration plus variable remuneration based on 100% performance evaluation.

3 In light of the fact that the peer group is very small – with just seven companies (main competitors) – and comprises both primary and reinsurance companies, there are no further performance hurdles or thresholds. Moreover, to ensure sound and effective risk management, members of the Board of Management should not be encouraged to take excessive risks in an endeavour to achieve higher bonuses. The bonus amount must adequately reflect the performance of Munich Re shares compared with that of the main competitors.