

2017

Combined non-financial statement in accordance with Sections 289b(3) and 315b(3) of the German Commercial Code (HGB)

On the basis of Directive 2014/95/EU regarding the disclosure of non-financial and diversity information, disclosure requirements for non-financial information have been codified under commercial law for the first time for the 2017 financial year. Munich Re is complying with these requirements in a combined non-financial (Group) statement, and is publishing it separately from the combined management report. The purpose of this report is to increase transparency about Munich Re's environmental and social credentials. In addition, regular reporting is focusing more strongly on sustainability, which thus serves as a link to the standard financial reporting without itself containing any financial aspects.

This report combines the non-financial information about Munich Reinsurance Company and Munich Re (Group). Unless otherwise stated, the following applies to both the Group and Munich Reinsurance Company.

Business model

Munich Re is one of the world's leading risk carriers. We combine primary insurance with reinsurance under one roof, and cover all the major elements of the value chain on the risk market.

Our global reinsurance units all do business – with a few minor exceptions – under the uniform Munich Re brand. We offer our clients the full range of products, from traditional reinsurance to innovative risk coverage solutions. Besides Munich Reinsurance Company, the reinsurance field of business includes many specialty primary insurers whose business requires specific expertise.

Through ERGO Group AG (ERGO), we are active in nearly all lines of life, health and property-casualty business – mainly in Germany, but with our international operations mostly concentrated on central and eastern Europe and in Asia, primarily India and China.

MEAG manages Munich Re's investments worldwide, while also making its expertise available to private and institutional investors outside the Group.

Munich Re's business model is characterised by a forward-looking, prudent and responsible risk management approach. For over 130 years, Munich Re has created value over the long term by assuming a diverse range of risks globally. We are convinced that this business concept can only be successful in the future through sustainable action. By this we understand the need to balance economic, ecological and social requirements. To this end, we actively involve our local and global stakeholders, not least our investors, clients and employees.

Please consult the "Group" section of our 2017 combined management report for further details about our structure, markets and products.

Differentiation between reporting requirements

Munich Re does not apply any of the nationally or internationally available frameworks for sustainability reporting (e.g. German Sustainability Code or Global Reporting Initiative) in its non-financial (Group) statement. Such frameworks are based on a variety of different definitions of materiality and would mean selecting topics that are not suitable for disclosing Munich Re's non-financial credentials in the non-financial (Group) statement. At Munich Re, we have instead chosen our reporting topics based on a two-stage, internal selection process.

In the first stage, potential topics are identified by Group Human Resources, Group Compliance, and Economics, Sustainability & Public Affairs. The identification process takes into account effects on the statutory aspects of environmental, social and employee-related matters, human rights, and anti-corruption.

The identified topics are then discussed by a multidisciplinary panel to determine whether they are significant for a proper understanding of the Group's development, performance, and current position. This review is performed based on a uniform set of criteria, including how frequently reports are submitted to the Board of Management and Supervisory Board, and whether a topic needs to be taken into account in our risk management system.

This selection process has highlighted the following issues of relevance:

- Munich Re as a preferred employer and diversity as a strategic success factor
- Anti-corruption and bribery matters
- Corporate responsibility in insurance and investment

Under the "Corporate responsibility in insurance and investment" heading, we have included information on the statutory aspects of environmental, social, and human rights issues.

Risk management of non-financial aspects

At Munich Re, significant non-financial risks are included in our internal risk management process along with financial risks. These are reported in the internal and external risk reports and in our regulatory reporting. Our Integrated Risk Management division is independently responsible for risk assessment and monitoring.

The identification and assessment of those risks that are legally relevant (e.g. risks for society or the environment) is undertaken particularly in the context of assessing reputational risks. We identify, analyse, assess and monitor reputational risks with the aid of qualitative processes. Reputational Risk Committees (RRC) in the different fields of business assess concrete reputational issues and the potential reputational risks of individual transactions, and review environmental, social and governance (ESG) risks. The RRCs make an accurate assessment of the likelihood and the severity of impact of a reputational event, and then decide whether the reputational risk should be rated as critical. In the Internal Risk Report, we regularly detail the most significant reputational risks discussed by the RRCs.

In the year under review, no significant issues were identified which could have led to very probable and serious negative effects on the environment, our employees or society.

Munich Re as a preferred employer – Diversity as a success factor

For Munich Re as a knowledge-based Group, the competence and expertise of our talented and high-performing staff constitute the pillars of our success. Recruiting, developing and retaining employees is one of the two main components of our human resources policy. The second is promoting diversity as a strategic key to Munich Re's success.

Our human resources management is generally handled locally by our various HR departments in the different fields of business, which are equipped to cater to the specific needs of each field. At the same time, an overarching human resources unit at Group level creates a uniform framework and sets the tone across the Group.

Munich Re as a preferred employer

The goal of Munich Re's human resources policy is to be an attractive employer in all markets, and to remain so in the future. Significant elements of this policy include attracting candidates who have extensive expertise and worldwide experience, and then developing and keeping them loyal to us.

Staff development

In order to develop our staff, Munich Re boasts a comprehensive palette of training and support programmes, which is constantly updated to reflect current and future demands. The training objectives and contents are based on Munich Re's competence model, which covers all the relevant core skills that we require of our staff. To ensure the quality of our programmes and to encourage knowledge transfer, we have also put in place the SHIFT training concept, which has been developed in-house. SHIFT stands for Self-learning – Help and Instruction – Field test – Transfer support and primarily serves to track learning performance.

The increasing digitalisation of the insurance industry has been a central focus of our professional training palette since 2016. In the reinsurance field of business, a concept was developed in 2016 and 2017 that analyses our needs in terms of new employee profiles, and also supports us in increasing our digital know-how. In addition, our Digital School Initiative launched in 2017 offers digital training opportunities for all staff. In the year under review, more than 2,000 staff worldwide took part in the Digital Knowledge training series. ERGO also dedicated itself to supporting and training its staff in digitalisation in 2017, by including digitalisation and automation in its training and development measures.

At Group level, we offer two Group-wide staff development programmes: the EXPLORE trainee programme and our Group Management Platform. The Group Management Platform allows the uppermost levels of management to network with the Group's top talent, and provides the latter with innovative training formats to prepare them to take over relevant senior management positions in the Group. We also continued to develop personnel training programmes specific to the fields of business in 2017. In the reinsurance field of business in the year under review, we were able to launch the Hydrogen

programme, which is aimed at ambitious and high-performing staff with career potential in reinsurance. We have also developed and adopted the ERGO Executive Network, a global leadership development programme, which will be launched in 2018.

These programmes promote a future-focused qualification level among our staff, and have allowed us in recent years to fill approximately 80% of our German management positions internally in recent years.

Finding and retaining staff

Munich Re aims to treat our staff and applicants fairly and responsibly; we value the loyalty of our employees and ensure that they are able to perform. In addition to the aforementioned training and support programmes, we also offer a transparent salary system, extensive company healthcare management, and flexible working hours and conditions.

We have enshrined these elements – training, salary system, healthcare management, and working hours and location – in various framework agreements with our staff. These include internal company agreements in every field of business in Germany, global human resources policies in reinsurance and at ERGO (pending), and MEAG's staff manual in Germany. All these agreements are updated regularly.

The average length of service of our employees – 13.0 years across Munich Re (Group) and 14.8 years at Munich Reinsurance Company – testifies to the loyalty of our staff. Staff fluctuation is very low, with a voluntary fluctuation rate of 5.7%, and only 2.2% at Munich Reinsurance Company.

Diversity as a strategic success factor

Our goal at Munich Re is to create an optimal environment which, based on our various backgrounds and experience worldwide, makes the most of and strengthens the potential of all our staff. For this purpose, we have defined gender, internationality and age as key categories in implementing diversity, and have enshrined them in our Group-wide Diversity Policy. The issue of gender diversity has been given particular priority through our specifying a quantitative target.

The strategic direction of our diversity initiatives is determined centrally by our Group-wide human resources unit. The human resources departments in the various fields of business then ensure that the initiatives are duly implemented at our different locations.

Gender

In line with a voluntary commitment by the DAX 30 companies, Munich Re has set itself a goal of increasing the number of women in management positions in Germany to 25% by the end of 2020. In addition to creating an environment that enables staff to find a balance between family and career responsibilities, we have implemented various measures to promote women and to increase awareness of gender issues. Such measures include mentoring programmes, coaching, diversity days, women's networks, and personalised part-time and parental leave models – including for managers. Women currently constitute 54.5% of our Group's workforce; the percentage of women in management positions is currently 23.6% in Germany, and 33.5% worldwide. As for

Munich Reinsurance Company, 47.5% of employees are women; the number of female managers is 21.2% in Germany and 21.7% worldwide.

Internationality

Another aim of our diversity strategy is to support multiculturalism and internationality. For this purpose, we seek to diversify the composition of our teams, fill key functions with international staff, and increase our international expertise at the individual level – for example, by offering foreign assignments worldwide. In 2017, approximately 70% of the participants in our Hydrogen reinsurance talent-promotion programme came from our international organisation.

Age

A further component of our diversity strategy consists in actively supporting and promoting our staff during every phase of their careers. In addition to flexible, life-phase-based work and leave-of-absence models such as sabbaticals, or the ability to convert bonuses into time off, Munich Re also offers comprehensive employee assistance programmes which support staff who care for their family members. Munich Re also offers training programmes to support lifelong learning, as well as a broad spectrum of healthcare management plans.

Anti-corruption and bribery matters

There is zero tolerance for corruption and bribery at Munich Re. We have implemented internal processes that are designed to identify and appropriately sanction any hint of such activities. Our Group Compliance department is responsible for anti-corruption activities within the Group, and sets the standards for a uniform line of action Group-wide. Combatting corruption is an essential component of Munich Re's Compliance Management System (CMS), which has been permanently established as part of the key compliance function under Solvency II. In addition, due to its international operations, Munich Re is also subject to foreign laws such as the UK Bribery Act or the Foreign Corrupt Practices Act (FCPA) in the United States. At Munich Re, corruption prevention measures are implemented across the Group in the seven CMS categories of culture; risk management, organisation and processes; advice; communication and training; reporting; monitoring and control; and documentation. Our CMS aims to fight corruption through risk-based prevention. We have implemented processes and structures aimed at fully investigating any violations that may occur despite our reasonable measures, sanctioning such violations appropriately, and ensuring that they cease.

Our local Compliance units respond to staff inquiries about anti-corruption issues, particularly with regard to handling gifts and invitations appropriately.

Code of Conduct

Our Code of Conduct requires all our staff to act responsibly, transparently, dependably and honestly, to disclose conflicts of interest, and to neither accept nor offer bribes. We also conducted training sessions about the relevant requirements in 2017. In his commitment to the Code of Conduct, the Chairman of our Board of Management has underlined the importance of our compliance culture, which protects Munich Re's reputation and ensures that we pursue our corporate objectives based on our values. Our managers bear a particular

responsibility for ensuring compliance with our legal standards, embodying our core principles, and thereby creating a tangible compliance culture.

The Code of Conduct and associated guidelines contain further rules about the appropriate handling of invitations, gifts, donations and sponsorships, as well as on interacting with public officials. The Code of Conduct, which was originally adopted in 2005, was fundamentally revised in 2017 and will be reissued Group-wide in 2018. The ERGO Group's Code of Conduct, which includes provisions on money laundering, will also take effect in 2018.

As regards our primary insurance business – which due to the nature of the market and the brokerage network is more susceptible to corruption than reinsurance – ERGO and its operating entities became one of the first companies to adopt the Code of Conduct issued by the German Insurance Association (GDV) for the sale of insurance products. It signed the Code on 1 July 2013. This Code provides the basis for implementing measures to fight corruption and bribery, such as adopting corresponding provisions in the standard agreements used by the sales network, and obtaining corresponding undertakings from sales partners. Previously, external auditors had always confirmed that such principles and measures were being appropriately implemented.

Prevention and discovery

Our minimum standards for preventing and uncovering improper behaviour include segregating responsibilities appropriately and applying the dual control principle to contract signatures and payment transactions. In accordance with the “know your customer” principle laid down in our Guideline for the Combatting of Financial Crime, sufficient information about our business partners, their background, and about the purpose and legitimacy of the intended business deal must be available before we conclude any transaction. In addition, when choosing whom we do business with, we make sure that any potential direct business partners comply with laws and regulations, and act responsibly. This means that we subject our service providers and suppliers to a documented and transparent selection process, perform due diligence reviews of business partners who are to act on Munich Re's behalf, and include anti-corruption clauses in all contracts over €1m. Facilitation payments are explicitly prohibited in our Guideline for the Combatting of Financial Crime. Accepting cash, cash-like gratuities or other financial benefits is forbidden at Munich Re by the Guideline on Gifts and Hospitality.

Compliance reporting

Our Compliance Reports are issued to Munich Reinsurance Company's Board of Management and its Supervisory Board's Audit Committee on an ad-hoc and quarterly basis. They include updates about the implementation of our CMS regarding anti-corruption or compliance issues, the results of special audits, and any measures undertaken, such as the sanctioning of breaches. A reporting line from our Group companies to our Group Compliance unit has been set up for this purpose. Any serious breach of the law or important internal rules by a Group company is to be reported immediately, and followed by quarterly updates. In such cases, the Group company also issues a corresponding report to local management and the supervisory bodies.

In 2017, no material event as defined by the Solvency II Group Compliance Policy occurred anywhere in our Group, nor were any material proceedings for suspected corruption initiated.

Corporate responsibility in insurance and investment

Our sustainability strategy is based on adopting international policies, and especially on making voluntary commitments such as our signature of the UN Global Compact, the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI).

One of Munich Re's guiding principles is to act responsibly while at the same time creating added value for the Group and for society. We implement this maxim throughout the Group via our sustainability strategy, which we have geared to the shared-value approach. In order to mitigate or prevent potential negative effects on the environment, local communities or human rights, we have set up processes and developed measures at Group level and established specific rules for our insurance transactions and investments. Moreover, in 2017 Munich Re's Board of Management specifically declared its commitment to upholding human rights.

Our Group-wide corporate responsibility strategy and activities are headed by Economics, Sustainability & Public Affairs, which reports directly to the Chairman of the Board of Management. ESG aspects are taken into account in determining the variable components of remuneration for the members of the Board of Management.

Our Group Corporate Responsibility Committee (GCRC) advises the Board of Management on improving our sustainability strategy. The GCRC has adopted general ESG principles which form the basis for the position papers and measures detailed below. With regard to the environment, the principles address the issues of pollution, natural resource consumption and biodiversity. Our responsibility to society is reflected in the issues of political context and public perception, working conditions, human health and safety, population resettlement, and cultural heritage. With regard to governance, we review potentially insurable projects particularly in terms of whether the underlying project can be successfully brought to completion given the local regulatory conditions and planning by the policyholder. An example of a governance issue when investing would be our insistence on an acceptable ESG country rating. Issues that affect human rights are addressed from various ESG perspectives.

Positions and measures

The GCRC identifies and prioritises sensitive business issues, on which we develop positions that apply Group-wide. These are then implemented in the form of binding guidelines and guidance for our employees. Further issues are raised and submitted to the GCRC where necessary.

Munich Re has taken positions and adopted measures with regard to the following sensitive issues since 2012:

- Banned Weapons: Binding policy on cluster munition and land mines
- Arctic Drilling: Binding risk assessment by the Arctic Drilling Panel
- Investment in farmland: Mandatory ESG review
- ESG country ratings: Prohibition on investing in government bonds from countries with an inadequate ESG rating
- Fracking: Position paper including specific questions on ESG aspects
- Oil sands: Position paper including specific questions on ESG aspects
- Mining: Position paper including specific questions on ESG aspects
- ESG tool: Rating of different sectors (e.g. major infrastructure projects)

Every year, we have our activities validated externally by taking part in selected ratings issued by independent rating agencies specialising in sustainability. The ratings and results are submitted to the GCRC, which then identifies room for improvement and recommends corresponding measures.

Corporate responsibility in insurance business

Munich Re supports the PSI initiative, together with other insurers, and is represented on its Board. The initiative aims to increase awareness of ESG risks, improve prevention, and develop industry standards. Our annual progress on these issues is documented in the PSI public disclosures.

In our insurance business, we take ESG aspects into account in underwriting and in our products and services. One way that we integrate ESG aspects is through employee training. In addition, we have set up a coordination network in our reinsurance field of business, in which staff can share their knowledge within their areas of speciality. In our primary insurance business, analysing ESG aspects is a standard component of our product development process for private clients.

Since 2012, Munich Re has been using specially developed FAQs about sensitive issues, which are included in the corresponding position papers. They have since been integrated into the ESG tool, which supports our underwriters in systematically taking ESG aspects into account when performing risk assessments. In addition, staff who write business internationally are provided with ESG country ratings, giving them an instant overview of the most important indicators.

Corporate responsibility in investment

As Munich Re's asset manager, MEAG applies the standards set by the PSI. These standards aim to improve the general understanding of how investments affect the environment, society and corporate governance issues, and they support the PRI signatories in integrating these issues into their investment decisions. In the 2016 annual PRI survey, Munich Re received an "A" rating, scoring 28 out of a possible 30 stars in the Strategy and Governance category. The results for 2017 will be announced in August 2018. Our Responsible Investment Guideline, which is mandatory across the Group, incorporates all the PRI- and ESG-related guidelines and standards applicable to investments. As a rule, all our investments are subject to internal exclusion criteria. The majority of our investments are geared to the principle of sustainability. In doing so, we apply a series of sustainability criteria for each asset class.

When investing in shares and corporate bonds, for example, we take into account sustainability indices such as the Dow Jones Sustainability World Group Index or the FTSE4Good. Other bonds are evaluated based on ratings from ESG research institutes, such as oekom research. Government bonds are analysed based on sustainability country ratings. When deciding whether to invest in real estate, we take criteria such as a building's energy efficiency and construction materials into account. Specific ESG aspects are already reviewed in the due diligence process for investments in infrastructure, renewable energy and forestry.

MEAG is continually improving its sustainable investment by integrating ESG research into the investment process, and working with MSCI as a data provider since 2017.

A significant portion of our investments were sustainable in 2017.

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the combined non-financial statement 2017 of Munich Re (Münchener Rückversicherungs-Gesellschaft in München). The following text is a translation prepared by EY of the original German Independent Assurance Report.

To Münchener Rückversicherungs-Gesellschaft in München, Munich

We have performed a limited assurance engagement on the group non-financial statement of Münchener Rückversicherungs-Gesellschaft in München (hereafter Munich Re) according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial statement of the parent company according to § 289b HGB, consisting of the combined non-financial report as well as the section "Group" in the combined group management report being incorporated by reference (hereafter combined non-financial statement), for the reporting period from 1 January 2017 to 31 December 2017. Our engagement did not include any disclosures for prior years.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the combined non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the combined non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the combined non-financial statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between October 2017 and March 2018, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the combined non-financial statement, the risk assessment and the concepts of Munich Re for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the combined non-financial statement, the evaluation of the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the combined non-financial statement,
- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. compliance and human resources in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Analytical procedures at group level regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the combined non-financial statement.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of Münchener Rückversicherungs-Gesellschaft in München for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Munich Re. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([http://www.ey.com/Publication/vwLUAssets/EY-idw-aab-2017-en/\\$FILE/EY-idw-aab-2017-en.pdf](http://www.ey.com/Publication/vwLUAssets/EY-idw-aab-2017-en/$FILE/EY-idw-aab-2017-en.pdf)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 7 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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