Combined non-financial statement
Munich Re

2018

NOT IF, BUT HOW

Munich RE

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

Acting in a responsible manner while at the same creating added value for the Group and for society as a whole is Munich Re's guiding principle. We implement this maxim throughout the Group in our corporate responsibility strategy, which we have geared to the shared-value approach. You will find a comprehensive description of Munich Re's corporate responsibility strategy on our homepage at www.munichre.com/corporate-responsibility.

This statement meets the standards of the European Non-Financial Reporting Directive, which codified the disclosure requirements for non-financial statements under commercial law. Munich Re is complying with these requirements in a separate non-financial (Group) statement, and is publishing it separately from the combined management report. The purpose of this statement 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 statement combines Munich Reinsurance Company's non-financial information with that of Munich Re (Group). Unless otherwise stated, the following applies to both the Group and Munich Reinsurance Company.

In Munich Re publications, we may, where practicable and for reasons of simplicity, use the personal pronoun "he" to refer to both men and women.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was hired to perform a limited assurance engagement on the combined non-financial statement. References to sources beyond the Group management report and the Munich Re management report constitute additional information and are not part of the combined non-financial statement; they were not subject to the aforementioned engagement (unless otherwise indicated).

Business model

Munich Re is one of the world's leading risk carriers. We combine primary insurance and 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) and its subsidiaries, we are active as a primary insurer 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 on India, China, Singapore and Thailand.

MEAG MUNICH ERGO AssetManagement GmbH (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 almost 140 years, we have continuously 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 2018 combined management report for further details about our structure, markets and products.

Identification of reporting requirements

Munich Re does not apply any of the nationally or internationally available frameworks for sustainability reporting (e.g. the German Sustainability Code or Global Reporting Initiative) in its separate non-financial (Group) statement. Such frameworks are based on a variety of different definitions of materiality and would mean selecting topics that were insufficient to present the non-financial aspects of Munich Re's business in the (combined) non-financial 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 & Legal, 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 the fight against corruption and bribery.

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
- Data protection
- 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 also 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 risk should be rated as critical. In the Internal Risk Report, we regularly detail any significant reputational risks for Munich Re.

For the issues of corruption and bribery as well as data protection, we have established separate risk assessment processes and reporting lines that are monitored by Group Compliance & Legal.

In the reporting year, no reportable risks were identified.

Munich Re as a preferred employer and diversity as a strategic 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 focal areas in this regard being gender, age and internationality.

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 of its key 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. In reinsurance and at ERGO, 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 become a central topic of our professional training programme. In the reinsurance field of business, we have developed a concept that supports the expansion of our digital know-how, and analyses our needs in terms of new employee profiles. Our Digital School offers a range of training opportunities for all staff to increase their level of digital expertise. In the 2018 reporting year, a Data Analytics Curriculum with four different levels was added to the constantly expanding programme.

ERGO supports and develops its staff through training measures in the areas of digitalisation and automation, and continued to do so in the reporting year. For example, webinars have become a standard component of its blended learning measures. And existing courses have been updated for the digital age by taking the consistent approach of teaching the theory through learning programs, videos, audio recordings or e-books, and only training the practical aspects in actual person-to-person lectures.

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. EXPLORE is an international Group trainee programme for future leaders, and is aimed at highly qualified university graduates. Over 24 months, the participants in this Group-wide programme get to know all three of Munich Re's fields of business during various stints in Germany and abroad. Ten international programme participants were hired in the reporting year.

In the reinsurance field of business, the International Graduate Trainee Programme prepares university graduates at various locations worldwide for a career in reinsurance. As of 31 December 2018, 23 trainees are participating in the reinsurance trainee programme, of whom 43% are female and 57% male.

Moreover, in 2018 the Cyber Expert Pool was launched, as a training programme especially for cyber security experts in the reinsurance field of business. The programme is aimed at providing candidates with previous experience in cyber security with the qualifications to work in cyber underwriting. In 2018, 11 cyber experts in various locations were trained to become underwriters through the Cyber Expert Pool programme.

We also feature additional staff development programmes that are tailored to the specific fields of business. We maintained the Hydrogen Programme in 2018, which is aimed at ambitious and talented staff with career potential in the reinsurance business. MEAG offered the Young Manager Programme in 2018, which accompanies young managers in their new roles.

At ERGO, a new global talent programme was developed in 2018, which is aimed at driving digitalisation through cooperation with a leading business school. The programme is to be launched in the 2019 financial year, and will focus on innovation and leadership in the digital world.

These programmes promote a future-focused qualification level among our staff, and are aimed at filling our management positions internally as often as possible.

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.

In 2018, a new, global personnel recruiting campaign was launched in the reinsurance field of business, which focuses particularly on candidates with a background in areas of central importance to Munich Re (for example Internet of Things, cyber security, data analytics). The goal is to strengthen Munich Re's employer brand among these key candidate groups.

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 MEAG's staff manual in Germany. In the current reporting year, ERGO has been developing the international human resources cooperation model. At Munich Re, our remuneration rules are set out in a Group-wide policy.

The average length of service of our employees – 13.3 years across Munich Re (Group) and 15.2 years at Munich Reinsurance Company – testifies to the loyalty of our staff. Staff fluctuation is very low, with a voluntary fluctuation rate of 5.1% (previous year: 5.7%), and only 1.9% (previous year: 2.2%) at Munich Reinsurance Company.

In the context of our Transformation Programme, whose goal is to invest in digitalisation at Munich Re and reduce internal complexity, we were able to reduce our reinsurance workforce at the Munich site by offering mutually agreeable severance packages. Those staff are not reflected in the aforementioned voluntary fluctuation figures.

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. We have defined and enshrined gender, internationality and age as key categories 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 – in each of Munich Re's fields business.

In primary insurance, ERGO has launched further diversity initiatives such as the "Women in Sales" project and its cooperation with a family services provider. At the same time, dialogue forums and diversity training support our internal dialogue and exchanges with experts.

Women currently constitute 53.9 % of our Group's workforce (previous year: 54.5 %). The percentage of women in management positions (with disciplinary responsibilities for staff) is 35.7 % worldwide (previous year: 33.5%). The percentage of women in the overall workforce at Munich Reinsurance Company is 46.7% (previous year: 47,5 %), and the percentage of female managers is 22.8% (previous year: 21.7 %).

Internationality

Another aim of our diversity strategy is to support multiculturalism and internationality. For this purpose, we are seeking 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 2018, approximately 76 % (previous year: around 70 %) of the participants in our Hydrogen reinsurance talent-promotion programme came from our international organisation.

ERGO has marked 2019 as a Year of International Diversity and began by hosting an International Diversity Synergy Workshop in November 2018, whose goal was to consider the three key aspects of diversity structure, international leadership and global mindset, in order to generate ideas for improvement.

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, in its German reinsurance business 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 health management plans. ERGO has adopted a Group policy on family and careers, and staff also have access to free external specialists.

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 & Legal 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 constitutes the methodical framework for the key compliance function under Solvency II, and has been permanently established across the Group. In addition, due to its international activities, 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. The implementation of processes and structures is geared to allowing a full investigation of any violations that may occur despite our reasonable measures, sanctioning such violations appropriately, and ensuring that they cease.

Code of Conduct

On the basis of our revised Code of Conduct, which took effect in 2018, all staff are required to act responsibly, transparently, honestly and dependably. They must disclose conflicts of interest, in order to allow such conflicts to be professionally and fairly resolved. Staff may neither accept nor offer bribes. In the reporting year, mandatory new tutorials about the relevant requirements were introduced in the reinsurance field of business, explaining the Code of Conduct generally and the avoidance of corruption specifically. Training in compliance is also mandatory at ERGO and MEAG.

In his commitment to the Group-wide 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. Facilitation payments are explicitly prohibited.

The rules of our Procurement Policy also serve to prevent conflicts of interest. Moreover, our Code of Conduct addresses money-laundering issues. The companies that are subject to the German Money-Laundering Act (GWG) are organised accordingly; staff and deputies responsible for money-laundering issues have been appointed. ERGO's money-laundering policy sets out fundamental rules to combat money laundering and terrorist financing, and applies to all staff at the relevant companies in Germany.

ERGO became one of the first companies to sign the Code of Conduct issued by the German Insurance Association (GDV) for the sale of insurance products. It signed the Code in 2013. This Code supports measures to fight corruption and bribery, among other issues. External auditors have regularly confirmed, most recently in 2017, that such measures have been implemented effectively at ERGO.

In addition, ERGO has developed and adopted its own Code of Conduct for its independent sales force.

Prevention and discovery

Our minimum standards for preventing and uncovering improper behaviour at Munich Re include segregating responsibilities appropriately and applying the dual control principle to contract signatures and payment transactions. The standards are set out in our Policy for the Combatting of Financial Crime, which applies Group-wide.

In accordance with the "know-your-customer" principle laid down in our Guideline for the Combatting of Financial Crime, which applies for the reinsurance field of business, 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. The know-your-customer principle also 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.

At ERGO, an anti-corruption agreement or clause must be concluded with every supplier and service provider, regardless of the contract value.

Munich Re staff are required to inform their superiors, or the responsible internal officer, if they learn of any breach of anti-corruption rules. In addition, staff may consult the company ombudsman or use the electronic whistleblower portal to report the witnessed activity.

Compliance reporting

Our compliance reports are issued to Munich Reinsurance Company's Board of Management and its Supervisory Board's Audit Committee on a regular and ad-hoc basis. The reports 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 the Munich Re companies to our Group Compliance & Legal 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 Munich Re company also issues a corresponding report to local management and the supervisory bodies.

In 2018, no material event defined by the Solvency II Group Compliance Policy occurred anywhere worldwide, nor were any material proceedings for suspected corruption initiated.

Data protection

Due to the nature of its business, Munich Re comes into contact with a large amount of data. Protecting this data is important, especially given the fact that increasing digitalisation means that many business processes include personal information. Munich Re's reputation, and the trust of our business partners, are based on our compliance with data protection rules. For this reason, Munich Re has implemented data protection management systems in each of its fields of business. Each system takes into account the particularities of the respective field, and includes rules, processes and measures to systematically monitor and control how we handle personal data. The goal is to ensure a high standard of data protection across the Group, and to avoid fines being incurred.

The main rules for Munich Re are contained in the Code of Conduct and in various data protection and information security norms, which are specific to each field of business and mandatory for all staff. The norms are based mainly on the EU General Data Protection Regulation (GDPR) for Group companies situated in the EU/EEA. Binding corporate rules at all locations worldwide aim to ensure an appropriate level of data protection for our intra-Group communications with companies in the reinsurance group situated outside the EU/EEA.

Since 2018, Munich Reinsurance Company's Data Protection Officer has also been acting as Group Data Protection Officer for the companies of the reinsurance field of business within the EU/EEA. The only exception are our UK subsidiaries, which, in view of Brexit, have already appointed a data protection officer of their own. Among other tasks, the Group Data Protection

Officer aims to ensure uniform compliance with the guidelines across the EU/EEA, monitors the legality of IT-supported data processing, advises the respective companies on their duties under the applicable rules, answers staff questions about data protection, and acts as a first point of contact in communications with the supervisory authorities. He reports at least once a year to Munich Reinsurance Company's Board of Management about material data protection issues and improvements to the data protection management system. MEAG and ERGO have each appointed their own Data Protection Officers, who have corresponding responsibilities and obligations.

Given its accountability, in 2017/2018 Munich Re developed its own IT tool to ensure compliance with data protection rules. This Compliance Web is designed to use a defined process to automatically submit all IT-supported processing of personal data directly to IT Security and the Data Protection Officer, among others. This allows every new or changed processing task to be documented, checked for compliance with the legal norms, and regularly monitored. The tool also allows us to identify and track, with the help of a privacy impact assessment (PIA), processes which entail a high risk to a person's rights or freedoms. The tool is currently already being used by Munich Reinsurance Company and is to be introduced at ERGO in the course of 2019; it is planned to be introduced throughout the Group over the long term.

A key task in the reporting year was implementing the provisions of the GDPR, which became directly applicable in all EU Member States in May 2018. Among other initiatives, the respective fields of business began launching projects to adapt their IT applications to the new standards already in 2017. In addition, Munich Reinsurance Company, ERGO and MEAG each adopted their own data protection policies for activities in the EU/EEA. The goal is for each field of business to adopt binding rules that ensure a uniform level of data protection across all its units.

In 2018, staff at Munich Reinsurance Company and ERGO were trained, using an eLearning program, to ensure that they handled personal data carefully and in compliance with the provisions of the GDPR. In addition, mandatory classroom seminars have also been introduced, with contents that are targeted to the respective divisions. All staff at MEAG are required to undergo classroom training on data protection and information security once a year. And in 2019 MEAG will also be offering an eLearning program.

In 2018, no material data protection event defined in the Solvency II Group Compliance Policy occurred anywhere in our Group worldwide, nor were any material proceedings for breach of data protection rules 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 adopted a position paper confirming our commitment to respecting and 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 by the fields of business in the form of binding guidelines and guidance for our employees. Further issues are raised and submitted to the GCRC where necessary. In addition to the policies and position papers already in place, in the reporting year Munich Re adopted rules on investing in and insuring the coal sector.

- Fracking, oil sands and mining: Position papers that explain the technologies and various extraction and mining techniques, and also provide staff with technology-specific answers and support in assessing ESG risks; applicable in primary insurance and reinsurance
- Arctic drilling: Binding risk assessment by the Arctic Drilling Panel, which then decides whether to accept or reject the project; applicable in primary insurance and reinsurance
- Banned weapons: Binding policy on cluster munition and land mines, applicable in primary insurance and reinsurance; prohibition on investing in manufacturers of such weapon systems
- Coal: Binding policy on insuring coal risks, prohibitions on investment in the coal sector
- Investment in farmland: Mandatory ESG review
- ESG country ratings: Prohibition on investing in government bonds from countries with inadequate ESG rating
- Soft commodities: Prohibition on futures trading in these commodities

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 Board of Management, 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.

In July 2018, the Board of Management decided that, in its facultative and primary insurance business, Munich Re would no longer insure the construction of any new coal-fired power plants or thermal coal mines. For certain projects, for example in emerging markets, each case will be considered on its merits, with criteria such as a country's dependence on coal or a company's climate strategy being key factors. However, the core of our climate protection activities consists in enabling new, climate-friendly technologies to slow climate change. Our goal is to help new technologies break into the mainstream by offering insurance solutions that bear the associated risks. Some examples of this are performance guarantee insurance for manufacturers of solar modules and parks, or the African Energy Guaranty Facility (AEGF) risk-transfer solution. The latter aims, together with the European Investment Bank and primary insurers, to support sustainable power generation in Africa by covering political risks for investors. At the same time, we are developing risk-transfer solutions for dealing with the effects of climate change that are already being felt, for example via public-private partnerships in particularly affected regions of Africa or Oceania. We are also members, at the Board level, of the Insurance Development Forum's Steering Committee, and actively participate in working groups to develop pilot projects to insure against natural catastrophes in developing countries and emerging markets. Our participation in the "Munich Climate Insurance Initiative (MCII)" helped in developing a parametric risk transfer product to insure against high wind speeds and heavy rainfall on Caribbean islands. The policies are sold by local primary insurers, who also share in the risk transfer. Munich Re was the sole reinsurer for this product in 2018. The MCII Caribbean project is a public-private partnership that is being funded by the German Ministry of the Environment (BMU) until October 2019.

Corporate responsibility in investment

Munich Re recognised the advantages of sustainable investment early on and thus enshrined sustainability criteria for various stages of the investment process (strategic asset allocation, country, and choice of securities) in our Responsible Investment Guideline. Munich Re signed the UN Principles for Responsible Investment (PRI) in 2006, thus becoming one of the first signatories worldwide. The PRI 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. Certain reporting obligations are associated with the standards and published in the PRI Assessment. In the most recent PRI Assessment in 2018, Munich Re achieved the top rating of "A+" in the Strategy and Governance category. Only 30 % of the 340 asset owners worldwide who are signatories to the PRI received an A+ rating. The median rating was "A" among the relevant peer group of asset owners.

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.

In July 2018, the Board of Management decided that Munich Re would no longer invest in companies who earned more than 30% of their revenues through coal-fired power generation or coal mining. All existing investments that did not meet these standards were sold off over the course of the year. Our target is for the majority of our investments to be sustainable, and we track our progress in this regard in an internal sustainability index (NHQuote). A significant portion of our investments were sustainable in 2018. We calculate this by applying a series of sustainability criteria for each asset class. For example, when investing in shares and corporate bonds, 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 ISS-oekom. Government bonds are analysed based on country sustainability ratings from MSCI. 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.

In its optimised sustainability investment process, MEAG includes ESG criteria, in addition to traditional financial information, when making investment decisions. The integration of ESG enables a holistic analysis to be performed and the risks and opportunities in an investment to be better understood. It goes beyond conventional financial analysis, helping us to identify risks and opportunities in the ESG area. We are convinced that integrated ESG criteria will lead to investment decisions that remain responsible in the long term. Since June 2017, MEAG has been working with MSCI ESG Research, a leading provider of sustainability analyses and ratings in the ESG area. The aim of using MSCI ESG Research and MSCI ESG ratings is to further refine and optimise MEAG's approach to sustainable investment. With its high degree of global coverage of the most important asset classes, MSCI supports MEAG in determining a sustainable investment universe and selecting sustainable individual investments.

We have developed our own sustainability criteria in the area of illiquid assets. A prominent example in the recent past was our acquisition, in late 2018, of 91,000 hectares of commercial forest in Texas and Louisiana, which constitutes an area the size of the State of Berlin. The carbon sinking capacities of the forest help us make a positive contribution to fighting climate change. A further example is our purchase, at the end of 2018, of a solar park in southern Spain with a total installed capacity of 175 MW. It is one of the largest solar parks in Europe that is not dependent on state subsidies. The 300 gigawatt hours that the park produces can supply roughly 87,000 households with renewable energy every year.

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial report 2018 of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München. The following text is a translation of the original German Independent Assurance Report.

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich

We have performed a limited assurance engagement on the non-financial report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (hereafter Munich Re) according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial report of the group according to § 315b HGB, consisting of the combined non-financial report as well as the section "Group" in the combined group management report being incorporated by reference for the reporting period from 1 January 2018 to 31 December 2018 (hereafter non-financial report).

Management's responsibility

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

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report 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 non-financial report 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 Company 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 non-financial report 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 non-financial report 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 2018 and March 2019, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial report, 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 non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,

- Identification of likely risks of material misstatement in the non-financial report,

- Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas e.g. compliance and employees in the reporting period and testing such documentation on a sample basis,

- Analytical evaluation of disclosures in the non-financial report,

- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,

- Evaluation of the presentation of disclosures in the non-financial report.

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 non-financial report of Munich Re for the period from 1 January 2018 to 31 December 2018 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 Wirtschafts-prüfungsgesellschaften [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 (www.de.ey.com/general-engagement-terms). 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, 8 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Annette Johne
Wirtschaftsprüferin
(German Public Auditor)