

# Excerpt/public version of: Guideline on prevention of corruption and rules for gifts and hospitality

Policy of Munich Re Group  
Version: November 2020

## Objective

Corruption is detrimental to fair competition and will not be tolerated – be it on the part of employees, representatives, agents or business partners. Every case of misconduct will be sanctioned as appropriate. The Code of Conduct of Munich Re Group (“MR”) lays down core principles that create a mandatory framework for all activities in the Group. Of particular relevance for this Guideline are the core principles “Core business” and “Cooperation with clients and business/sales partners”. On that basis, the Guideline has the following objectives:

- Prevention of corruption and conflicts of interest (which can lead to corruption) in order to avoid legal sanctions, damage to reputation and economic disadvantage for MR.
- Setting minimum standards to avoid possible conflicts of interest, especially relating to gifts and hospitality given/issued or received.

## Scope and target group

### Units affected

The Guideline applies directly to Munich Reinsurance Company (MR AG), including its branches and representative offices.

All MR Group companies<sup>1</sup> must implement the objectives, principles and requirements as stipulated herein by adopting this Guideline, by introducing an equivalent norm, or by taking other appropriate measures. The Group companies concerned have the discretion to issue more detailed guidelines and work instructions that conform to this Guideline.

Should any provision of this Guideline be contrary to local law, then local law will always take precedence.

### Persons affected by the standards

All employees of MR AG and members of the Board of Management of MR AG.

<sup>1</sup> The term “Group” encompasses affiliated companies (subsidiaries) and branches. All Munich Re Group companies in which MR AG holds the majority of the capital and/or voting rights directly or indirectly or that are directly or indirectly controlled by MR AG (by virtue of an agreement or de facto) are considered to be affiliated companies of MR AG.

## Rules for the prevention of corruption and conflicts of interest (with key definitions)

MR expects its employees<sup>2</sup> at all levels to comply with applicable anti-corruption laws and this Guideline irrespective of their position in the hierarchy.

### Active or passive corruption prohibited

#### Definition of corruption

Corruption is the abuse of power conferred for personal advantage. "Advantage" means any improvement in the financial, legal or personal situation of the person receiving the advantage by virtue of a gratuity (see below) to which they are not entitled.

A "gratuity" for the purposes of this Guideline is a financial, social or personal advantage or benefit of any kind and may be tangible or intangible in nature. To not constitute corruption, a gratuity must be socially acceptable and appropriate.

Criteria for assessing the social acceptability of gifts and invitations (these being the most common type of gratuity at MR) can be found in below.

For a situation to constitute corruption, the beneficiary of an advantage may receive it directly, but it is also sufficient for a third party (e.g. the company for whom an employee works) to receive it with the beneficiary profiting from it indirectly (e.g. via a bonus). Typical in a case of corruption is a triangular relationship, in which an employee/representative of a business partner or a public official/politician receives (or is promised) an advantage directly or indirectly, resulting in improper influence on a business or official/political decision (active corruption). In the case of public officials (see below for definition), even gratuities given to them for simply doing their job are criminal. Even MR employees receiving such gratuities may render themselves liable to prosecution for corruption (passive corruption).

A business partner is any party with which a business relationship exists or is planned. For MR, that means in particular cedants, retrocedants, retrocessionaires and brokers. Suppliers, asset managers, service providers and other corporate partners are also business partners.

There is no overarching corruption regulation in German law, wrongs associated with corruption are being sanctioned on the basis of a range of criminal offences.

#### Active corruption prohibited

It is forbidden for employees to offer, promise or grant business partners gratuities with the aim of being given preference in business, or to approve such gratuities. This also applies to gratuities given to public officials for the purpose of influencing decisions by the authorities.

Whether a gratuity is granted, or is to be granted, directly or indirectly, for example via a representative, consultant, agent, intermediary, business partner or other third party, is immaterial.

#### Passive corruption prohibited

Employees may not use their position at a company to request, be promised or accept advantages giving them preference in business.

This also applies to advantages for third parties close to the employee (family members, friends, acquaintances, organisations, etc.).

<sup>2</sup> For the purposes of this Guideline, the term "employee" encompasses all staff (male/female/diverse) in a temporary or permanent employment relationship, freelancers and the members of the Board of Management of MR AG.

## Public officials

### Definition of a public official

Public officials are in particular civil servants, judges and other persons holding a public or state office. Also public officials are other persons who undertake public administration work at an authority or other institution, or on their behalf.<sup>3</sup>

Employees of international organisations or state enterprises can also be public officials.

### Rules for dealing with public officials

Gifts and invitations for public officials are subject to stricter requirements than for business partners, both under this Guideline and according to statutory regulations and internal rules within public authorities. Consequently, invitations, for example, issued to such persons can involve a considerable risk of prosecution for both guest and host.

Employees may therefore not offer, promise or grant any gratuities to public officials, or approve such gratuities, in order to cause them either to breach their duty or to act in accordance with their duty (e.g. by granting an insurance licence or issuing merger clearance), with the sole exception of hospitality that is evidently of little value.<sup>4</sup>

Also prohibited are bribes and “facilitation payments”. Bribes and facilitation payments are inadmissible payments aimed at accelerating or otherwise facilitating a service.

## Avoidance of conflicts of interest

### Definition of conflict of interest

A conflict of interest arises if an employee’s personal interest could be in conflict with MR’s interest. It can lead to subjective considerations interfering with the objectivity required for business decisions.

A conflict of interest can arise out of any personal interest. At MR, this relates in particular to

- the way the giving and receiving of gratuities in the form of gifts and invitations is handled,
- considering/preferring employees’ family members or friends, business partners and clients for company requirements.

Not covered by this Guideline are conflicts of interest in the area of corporate governance that are not covered by criminal law (e.g. principal-agent conflicts,<sup>5</sup> possible conflicts of interest due to the transfer of roles and responsibilities between different key functions,<sup>6</sup> remuneration and incentive systems,<sup>7</sup> the independence of directors and officers,<sup>8</sup> and issues connected with the ethical wall principle<sup>9</sup> and related-party transactions<sup>10</sup>) and conflicts of interest in the area of sponsorship.<sup>11</sup>

<sup>3</sup> Applicable local law will determine whether a person is a public official in a particular case.

<sup>4</sup> See guide to value in 4.1. In Germany in particular, many authorities have set significantly lower value limits for their officials, and they must be observed.

<sup>5</sup> E.g. in the management of Group companies as MGAs or Fronting-Companies.

<sup>6</sup> See SII Munich Re Group Organisation Policy.

<sup>7</sup> See Group Top Executives Policies, Group Compensation Policy or HR Policy.

<sup>8</sup> See SII Munich Re Group Organisation Policy.

<sup>9</sup> See Ethical Walls Policy and Ethical Walls Guidelines for Client Management, Claims and Reinsurance Accounting.

<sup>10</sup> See Shareholder Rights Directive II (SRD II) – Reporting of Related Party Transactions Manual.

<sup>11</sup> See Guideline for Donations, Sponsorships, Memberships and Social Cooperation Agreements.

### Rules for avoiding conflicts of interest

MR expects all employees to take business decisions exclusively in the best interest of the Group. Consequently, conflicts of interest must be either avoided from the outset or resolved in accordance with this Guideline.

If an employee is uncertain whether a connection between a personal interest and a business decision constitutes a conflict of interest, the facts of the case must be submitted in advance to Group Compliance and Legal (GCL) (at the Munich location) or the local Compliance function/local Compliance Manager for consideration.

The risk of a conflict of interest is particularly high with the giving/issuing or acceptance of unusual or high-value gifts or invitations. Such gifts or invitations may only be given/issued or accepted with the prior approval of the employee's manager and after obtaining an assessment and advice from GCL (at the Munich location) or the local Compliance function/local Compliance Manager. For the purposes of this Guideline, a "manager" is the line manager of an employee according to the organisational chart in MR Web. Where, as a result of this Guideline, it is necessary for an employee at management level 1 (according to the organisational chart) or a member of the Board of Management of MR AG to be involved as manager (i.e. they must be consulted or notified, or give their agreement), GCL will assume that role on their behalf.

### Minimum requirements and precautions aimed at preventing corruption and dealing with conflicts of interest

#### Avoiding semblance of corruption

If there is the slightest doubt as to the admissibility of certain behaviour or if certain behaviour could give the appearance of corruption, then that behaviour should be avoided. Alternatively, the facts of the case should be submitted in advance for detailed analysis and risk minimisation to GCL (at the Munich location) or the local Compliance function/local Compliance Manager, whose recommendations and instructions should be followed.

The following actions always give the appearance of corruption and should not be submitted for consideration as they are prohibited in every case:

- Giving or accepting cash
- Payments to the private bank account of a business partner or third party

The following actions may give the appearance of corruption and must therefore in every case be submitted in advance to GCL (at the Munich location) or the local Compliance function/local Compliance Manager for consideration:

- The giving or acceptance of cash-equivalent gifts (e.g. cheques, gift vouchers) to/from business partners or other third parties
- The giving or acceptance of other financial benefits (e.g. price reductions or discounts for individual employees) to/from business partners or other third parties
- Gratuities for public officials Exception: lunch invitations at reasonable cost (maximum €40 per person)
- Gratuities for politicians
- Acceptance of gratuities by staff in Central Procurement (CP). Exception: invitations to business meals at reasonable cost

See below for indications of corruption in connection with gifts and invitations.

### Anti-corruption clauses

All contracts with service providers, suppliers and third parties acting in such capacity on behalf of MR must include anti-corruption clauses that effectively reduce the risk of corruption.

### Disclosure of conflicts of interest (which can typically lead to corruption)

Possible conflicts of interest that could arise in connection with the giving or acceptance of gratuities (gifts and invitations) should be resolved by the employee concerned in accordance with the applicable internal regulations and processes and promptly disclosed in writing to the employer's manager.

Contracts to be entered into or awarded or the offering of work (e.g. employment or an internship) that concern a family member or friend of an employee must be referred in advance in writing to the manager of the employee concerned to ensure that the personal relationship does not result in improper advantage.

The resolution of any conflict of interest and the manager's approval must be documented in writing by the employee concerned.

### Avoidance of conflicts of interest relating to family and friends

The following precautions should be taken to support the prevention of corruption and avoid conflicts of interest:

- Conflicts of interest in connection with the involvement of employees in decisions relating to business or administrative relationships with their family members or friends should be avoided. Employees should also avoid conflicts of interest relating to family members or friends of employees or representatives/agents of business partners.

This particularly applies in the context of employment relationships, i.e. recruitment, transfers, assignment of areas of work, promotion, performance appraisal, decisions on remuneration, other benefits and financial controls, and any other decisions concerning work, an employment relationship or career management.

Conflicts of interest must also be avoided where contracts are to be entered into or awarded.

Any involvement of the employee concerned in the above-mentioned employment matters or other contract or business relationships should be excluded if possible. If an employee's involvement is unavoidable, steps should be taken to ensure that the personal relationship does not result in improper advantage. The action taken should be determined on the basis of clearly defined criteria (at arm's length) and documented. The employee's manager must also agree in advance to the signature or award of the contract.<sup>12</sup>

- Any direct or indirect management of a family member (as subordinate) by an employee should be avoided.

<sup>12</sup> In addition to an employee's manager, the responsible HR Business Partner must also be notified in writing of any conflict of interest in connection with an employment relationship.

## Minimum standards for handling gifts and hospitality given/issued and received (most common type of gratuity)

Gifts and hospitality (gratuities) may not be misused to influence business partners, clients or public officials.

However, the giving or accepting of such gratuities in the context of existing or planned business relationships is admissible in principle within appropriate limits. The minimum standards set out below must be respected.

### Socially acceptable/appropriate

A gratuity must be socially acceptable and appropriate. It can be accepted if it is something that is normal practice and generally considered acceptable. Social acceptability depends above all on whether a gratuity is likely to influence the recipient. It always depends on the individual recipient and their position in the company and social status. It is the responsibility of the employee wishing to give or accept a gratuity to perform this assessment in accordance with this Guideline, and if appropriate consult their manager and the Compliance function responsible.

As there are many possible types of situation, no absolute rules or maximum values can be set for socially acceptable gratuities.

If the following criteria are met, it can be assumed that a gratuity is appropriate and socially acceptable:

- The gratuity is a matter of courtesy, for example small occasional gifts.
- The gratuity constitutes “normal” hospitality (i.e. in the “normal course of business”), for example a business meal.
- The gratuity is in line with the position and living standards of the recipient.

Gifts or invitations that are **unusual** or **of high value** may only be given/issued or accepted with the prior approval of the employee’s manager and in consultation with GCL (at the Munich location) or the local Compliance function/local Compliance Manager.

Generally speaking, a gratuity is **unusual** for the purposes of this Guideline if it has to be offered some time in advance or involves a structured planning process with a certain degree of complexity. Invitations to major international sport events (e.g. the Olympics, the football World Cup or European Championship, finals of international tournaments and Formula 1 races) or expensive client events generally fall into this category.

A gratuity is generally considered to be **of high value** if it clearly goes beyond what would normally be expected, or is given or accepted on a special occasion (i.e. not in the “normal course of business”). Examples of a special occasion would be a company’s anniversary or a business partner’s big birthday.

### No appearance of unlawful influencing of a business decision

Gratuities may not be such as to give an independent third party the impression of unlawful influence being exerted on an entrepreneurial decision relating to an actual business transaction (e.g. the decision to enter into the transaction) by virtue of the recipient of the gratuity receiving, or being offered, unjustified advantage. The same applies if the recipient demands such advantage from the provider of the gratuity.

Such an impression can arise in particular if:

- gratuities are given with sufficient regularity for the recipient to come to expect a further gratuity at a certain time;
- there is only a short period between the giving of a gratuity and a specific business decision, especially if the gratuity is unusual or of high value. Consequently, such gratuities are only admissible in the first place if sufficient time will elapse between the giving of the gratuity and a specific business decision and if all other requirements of this Guideline are satisfied. This requirement also applies even to informing a recipient in advance of a business decision that a gratuity will be forthcoming;
- for an invitation by MR, at least one host from MR has not been designated to be present for the entire duration of the event for which the invitation has been issued;
- travel and/or accommodation expenses are borne by MR (for MR invitations) or by the business partner for invitations by a business partner.

Reasonable business meals, on the other hand, are usually permissible even in connection with actual imminent business decisions.

In order to assess if a business decision might be influenced unlawfully, one should consider as a general principle and in addition to the criteria above, if a gratuity offered by a business partner would be adequate if given to this business partner in the same amount, and vice versa (reciprocity).

If there is reason to believe that improper influence might be exerted on a business decision or there is an indication of corruption, the facts of the case should be submitted in good time to GCL (at the Munich location) or the local Compliance function/local Compliance Manager for their agreement.

### Transparency

As a matter of principle, transparency is always an important element in avoiding the possibility of criminal conduct.

Persons issuing invitations should ensure that:

- invitations are sent on official letterhead or, if sent by e-mail, are sent from a business e-mail account;
- the invitation is sent to the official business address of the recipient;
- the type and extent of the invitation (e.g. event programme, location, times) is clearly specified;
- the guest provides confirmation that acceptance of the invitation is permissible under their own internal compliance regulations. The more unusual and the higher the value of an invitation, the more important it is to receive explicit, written confirmation;

- for events consisting purely or primarily of entertainment MR AG will pay arising income tax for their guests in Germany in a lump-sum, provided that the guests are liable to German tax. Guests are to be advised of this explicitly in the invitation letter. The same applies for gifts, which are given to clients in Germany;
- for events consisting purely or primarily of entertainment, the invitation issued (together with the manager's approval) is recorded on an invitation list maintained at division level.

Persons accepting invitations should ensure that:

- the type and extent of the invitation (e.g. event programme, location, times) is clearly specified;
- for events consisting purely or primarily of entertainment, the invitation accepted (together with the manager's approval) is recorded on an invitation list maintained at division level.

### Events consisting purely or primarily of entertainment

In addition to the required for social acceptability and appropriateness, a gratuity must always be justified from a business point of view. This can be assumed to be the case if the gratuity is in the context of the business and is intended to generally create or deepen a business relationship with MR. It follows that the gratuity must serve MR's interests. If the motivation for the gratuity is exclusively or primarily in the personal interest of the giver or receiver, such business justification does not as a rule exist.

This requirement also applies to events. Especially in the case of events consisting purely or primarily of entertainment, high requirements should be set for the business necessity of and the business benefit sought by attending, as it can often have the appearance of an inappropriate gratuity.

If an employee is invited, or wishes to invite a business partner, to such an event, they must justify the business necessity of the invitation in advance in writing and obtain the approval of their manager. The manager must refer the invitation to GCL (at the Munich location) or the local Compliance function/local Compliance Manager as soon as possible.<sup>13</sup>

If an employee is spontaneously invited to attend such an event, for example during a business trip, and is therefore unable to obtain prior approval, they must not attend the event.

It is generally not admissible for an MR employee to be accompanied to a business-related invitation by a private companion. Exceptions to this rule require the approval of the employee's manager.

The employee concerned must document their compliance with the minimum requirements set in this Guideline.

### Inventorying of high-value gifts

If acceptance of a gift is not admissible under the rules in this Guideline, the employee must refuse to accept the gift or return it to the person/company offering the gift.

If acceptance is admissible in accordance with this Guideline, the employee must hand over any gift exceeding €40 in value to the Company. The Company will generally then pass on such gifts to a charitable organisation (e.g. the Schinzler Foundation).

All gifts must be recorded and inventoried.

<sup>13</sup> Attendance of such events can have tax implications for the employees concerned, which they should comply with.



## Responsibilities and reporting lines

### Employees

Every member of staff is responsible for ensuring that they comply with the rules, minimum requirements and minimum standards laid down in this Guideline.

### Managers

Managers are responsible for ensuring that appropriate measures are taken in their area of responsibility to prevent corruption and conflicts of interest. The special responsibility they have must be reflected in their exemplary conduct. In particular, managers are expected to ensure that only appropriate gratuities are given or accepted in their area of responsibility.

If, according to the criteria in this Guideline, a gratuity could create a negative impression, the facts of the case should be submitted in good time to GCL (at the Munich location) or the local Compliance function/local Compliance Manager for their agreement. In the event of doubt as to the classification of a particular gratuity, the facts of the case can also be submitted to GCL (at the Munich location) or the local Compliance function/local Compliance Manager to obtain their advice.

Managers must ensure compliance with this Guideline through communication and effective controls.

### Compliance (GCL and local Compliance function/local Compliance Manager)

GCL (at the Munich location) or the local Compliance function/local Compliance Manager are available to provide advice to employees and managers on this Guideline in general and on actual cases encountered in practice.

## Implementation and monitoring

At the Munich location, this Guideline is to be implemented by the heads of the divisional units and central divisions in their areas. In the International Organisation, the Compliance Managers must ensure that the Guideline is implemented.

Where not already in place, processes and reporting lines must be established to ensure compliance with the requirements of the Guideline.

If corruption is identified by the annual risk analysis as a material risk in an area, the effectiveness of relevant controls will be reviewed and updated in a self-assessment of relevant areas and, where applicable appropriate, in a management interview conducted by GCL (usually together with IRM). If necessary, further mitigation measures will then be defined by the area concerned in consultation with GCL. Implementation of those measures will be reviewed annually in the context of GCL's risk analysis.

In addition, the inventory of gifts will be reviewed once a year by GCL. Finally, GCL will use the quarterly reports on training to monitor completion by employees of the mandatory test in the prevention of corruption to be taken every two years (in association with an eLearning course), and check that the test and the eLearning course are up to date.

## Review and updating

This Guideline will be reviewed by GCL every two years and revised if necessary. The review will be recorded in the document history whether or not it has indicated any need to make changes. Material findings arising out of the review will be communicated to the Board of Management of MR AG or to the members of senior management responsible.

An ad-hoc review of the Guideline will be performed by GCL in the event of:

- a change in the law or a court decision of significance for the Guideline, or
- relevant audit findings of Internal Audit or external authorities that require the Guideline to be amended or
- comparable occurrences.

GCL may make purely editorial or minor changes under its own responsibility.

Any material amendments of the Guideline such as

- changes in or extensions of responsibilities or
- material changes in processes or
- changes in the scope of application of the Guideline or
- comparable material changes

must be submitted to the Board of Management of MR AG for approval.

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