

Remuneration report

The remuneration report describes the structure of the remuneration system for the Board of Management and Supervisory Board in the past financial year, and contains detailed information on the individual remuneration of the members of the Board of Management and Supervisory Board.

It also includes a description of the new remuneration system for the Board of Management, which was implemented as at 1 January 2018 and will be put to the vote at the 2018 Annual General Meeting.

Remuneration of the members of the Board of Management in 2017

The full Supervisory Board decides on the remuneration system for the Board of Management, and reviews it [↗](#)

regularly. The Personnel Committee of the Supervisory Board, comprising the Chairman of the Supervisory Board, one shareholder representative and one employee representative, prepared the resolutions for the full Supervisory Board in the year under review.

The previous remuneration system for the Board of Management was already geared to providing incentives for Munich Re's long-term and sustainable success and to bringing the interests of the members of the Board of Management into line with those of our shareholders. It met the relevant company and supervisory law requirements, including those of the German Corporate Governance Code.

The remuneration system for the Board of Management comprised fixed and variable components as well as the occupational retirement scheme. Details can be found in the following table:

Structure of the remuneration system for the Board of Management

Component	Share ¹	Assessment basis/ parameters	Corridor	Precondition/criteria for payment	Payment
Basic remuneration plus remuneration in kind/ fringe benefits	30%	Function, responsibility, length of service on Board	Fixed	Contractual stipulations	Monthly
Variable remuneration	70%	Corporate performance Performance of divisional unit Personal performance			
30% annual performance (for 100% achievement of objectives, performance evaluation)		Group objective Business-field objectives Divisional objectives Personal objectives Overall performance	0-200% (fully achieved = 100%)	Achievement of annual objectives and evaluation of overall performance	In the second year, on condition that 50% of the net amount paid out is invested by the Board member in Munich Re shares that must be held for at least a four-year period
70% multi-year performance (for 100% achievement of objectives, performance evaluation)		Objectives for the fields of business - Reinsurance - ERGO Personal objectives Overall performance	0-200% (fully achieved = 100%)	Achievement of three-year objectives and evaluation of overall performance	In the fourth year, on condition that 25% of the net amount paid out is invested by the Board member in shares that must be held for at least a two-year period
Pension					
Defined contribution plan		Target overall direct remuneration ²	Pension contribution	> Retirement > Insured event > Premature termination	

¹ For variable remuneration, the share shown was based on 100% achievement of objectives/performance evaluation.

² Target overall direct remuneration comprised basic remuneration plus variable remuneration based on 100% achievement of objectives/performance evaluation.

Fixed remuneration

The fixed components of remuneration comprised basic remuneration plus remuneration in kind and fringe benefits such as company cars, insurance policies and healthcare. The payroll tax on the remuneration in kind and fringe benefits was borne by Munich Re.

Variable remuneration

The variable remuneration component was geared to the overall performance of the Group and defined divisional units, and to the personal performance of the individual members of the Board of Management.

The amount of variable remuneration depended on the extent to which the annually set objectives for annual and multi-year performance were met, and how the overall performance component was assessed.

In evaluating the overall performance of the Board of Management as a whole and of its individual members, ↗

performance criteria not included in the agreed objectives were also taken into consideration in particular, and could be assessed as either positive or negative. In addition, the Supervisory Board was able to address developments that were beyond the influence of Board members during the appraisal period.

Annual objectives, multi-year objectives, overall performance evaluation and investment in shares together formed a well-balanced and economic – i.e. strongly risk-based – incentive system, with great importance being attached to ensuring that the targets set for the members of the Board of Management did not have undesirable effects. During the one and three-year appraisal periods, no adjustments were made to the objectives and no guaranteed variable remuneration components were granted.

Details of the assessment bases for the annual and multi-year performance are provided in the following tables.

Variable remuneration based on annual performance

Category of objective	Share ¹	Assessment basis	Parameters
Collective contribution to corporate success	40-60%		
Group objective		Derived from key performance indicators in external reporting and other important portfolio and performance data	Return on risk-adjusted capital, RORAC ²
Business-field objectives			
- Reinsurance		Value-based economic performance indicators: - Property-casualty reinsurance - Life reinsurance	Components of economic earnings ³ : - Value added - Value added by new business - Change in the value of in-force business
- ERGO		Value-based economic performance indicator	Economic earnings ³
Individual contribution to corporate success	20-40%		
Divisional objectives		Value-based economic performance indicators: - Property-casualty reinsurance - Life reinsurance	Components of economic earnings ³ : - Value added - Value added by new business - Change in the value of in-force business
Personal objectives		Personal objectives per Board member	Special focal points such as - Pricing and cycle management - Client management - Innovation initiatives
Overall performance evaluation	20%	Overall performance of individual Board members and of the Board of Management as a whole	Assessment by Supervisory Board taking into account Section 87 of the Stock Corporation Act (AktG) and the German Corporate Governance Code

¹ The objectives were weighted individually according to the responsibilities of the individual Board members.

² Further information on RORAC is provided on [page 51](#).

³ Further information on economic earnings is provided on [page 50](#).

Variable remuneration based on multi-year performance

Category of objective	Share ¹	Assessment basis	Parameters
Collective contribution to corporate success	50-60%		
Business-field objectives (three-year average)			
- Reinsurance		Value-based economic performance indicators: - Property-casualty reinsurance - Life reinsurance	Components of economic earnings ² : - Value added - Value added by new business - Change in the value of in-force business
- ERGO		Value-based economic performance indicator	Economic earnings ²
Individual contribution to corporate success	20-30%		
Personal objectives (three-year period)		Personal objectives per Board member	Special focal points such as - Strategic goals - Client focus - Innovation initiatives - Digitalisation initiatives
Overall performance evaluation	20%	Overall performance of individual Board members and the Board of Management as a whole	Assessment by Supervisory Board taking into account Section 87 of the Stock Corporation Act (AktG) and the German Corporate Governance Code (incl. corporate responsibility and compliance requirements)

- 1 The objectives were weighted individually according to the responsibilities of the individual Board members.
2 Further information on economic earnings is provided on [page 50](#).

Targets and achievement of objectives for variable remuneration

The financial and personal objectives set for the members of the Board of Management up to 2017 were very granular and formulated very clearly to ensure that they were objective, and could be measured and monitored. They included commercially sensitive information that was highly relevant for the market and the competition, and covered clients' interests. That is why we did not publish specific targets on the basis of the previous remuneration system. To enhance the transparency of the remuneration report, the overall achievement of objectives for each remuneration component is now also published in the remuneration tables in accordance with the German Corporate Governance Code.

Limit to variable remuneration (malus)

The remuneration system for the Board of Management was designed in such a way that, owing to the "overall performance" component, a negative contribution to profits led to a reduction in variable remuneration on an annual and multi-year basis. Moreover, the financial multi-year objectives were conceived such that the result of an adverse year caused the overall achievement of objectives to drop to zero. Hence, owing to the decline in the result for 2017, which was attributable to hurricane losses, no bonus for the Group objective for annual performance was paid and three multi-year bonus schemes were significantly impacted. On account of the flexible bonus policy, it was also possible for no variable remuneration to be paid at all. In addition, the malus principle also involved the obligation on members of the Board of Management to invest in Company shares, as a result of which part of the bonus paid was placed at risk again and thus linked to the interests of shareholders.

According to the contracts of employment for members of the Board of Management appointed for the first time as from 1 January 2017, all variable remuneration components not already paid out are forfeited in the event of termination of a Board member's contract by the Company for good cause or in the event of relinquishment by a Board member of their appointment to the Board of Management without good cause.

Continued payment of remuneration in the case of incapacity to work

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

Other remuneration

Stock option plans

No stock option plans or similar incentive schemes are in place for the Board of Management.

Remuneration for other board memberships

In the case of seats held on other boards, remuneration for board memberships must be paid over to the Company. Exempted from this is remuneration for memberships explicitly classified by the Supervisory Board as private.

Severance cap and change of control

Members of the Board of Management appointed before 1 January 2017 have no contractual right to severance

payments. If the Board member's activities are terminated prematurely by the Company without good cause, payments due may not exceed the equivalent of two years' total remuneration (three years' total remuneration in the event of acquisition of a controlling interest or change of control within the meaning of Section 29(2) of the Securities Acquisition and Takeover Act – WpÜG) and may not cover more than the remaining period of the employment contract if this is shorter. If the employment contract is terminated for good cause on grounds that are within the Board member's control, no payments are made to the Board member. The calculation is based on overall remuneration for the past financial year and, where appropriate, on the probable overall remuneration for the current financial year.

Members of the Board of Management appointed for the first time after 1 January 2017 whose contracts are terminated by the Company without good cause have a contractual right to a severance payment. Such payments may not exceed the equivalent of two years' total remuneration, and are limited to the remaining term of the Board member's contract if this term is shorter. Total annual remuneration is calculated on the basis of basic annual remuneration and variable remuneration paid out for the prior full financial year before the contract was terminated; remuneration in kind, other fringe benefits and contributions to occupational retirement schemes are not taken into account. Payments received by a Board member during a period of notice and after termination of the appointment are offset against any severance payment. There will be no right to severance payments in the event of extraordinary termination of the Board member's contract for good cause.

As a matter of principle, the Company ensures that severance payments are related to performance achieved over the whole period of activity.

Pensions

Up to and including 2008, the members of the Board of Management were members of a defined benefit plan, providing for payment of a fixed pension amount.

As of 2009, newly appointed members of the Board have become members of a defined contribution plan. For this plan, the Company provides a pension contribution for each calendar year (contribution year) during the term of the employment contract. It uniformly amounts to 25.5% of the target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives). The amount of the pension contribution takes into consideration the peer group (including DAX 30 companies) and the pension contributions for the employee groups below the level of the Board of Management. The pension contributions for the members of the Board of Management are paid over to an external pension insurer. The insurance benefits that result from the contribution payments constitute the Company's pension commitment to the Board member.

Board members appointed before 2009 were transferred to the new system. They kept their pension entitlement from the defined benefit plan (fixed amount in euros) existing

at the date of transfer, which was maintained as a vested pension. For their service years as of 1 January 2009, they receive an incremental pension benefit based on the defined contribution plan.

The Supervisory Board determines the relevant target pension level for pension commitments from defined benefit plans and defined contribution plans – also considering length of service on the Board – and takes account of the resultant annual and long-term cost for the Company.

The members of the Board of Management are also members of the Munich Re pension scheme, which is a defined contribution plan.

Benefits on termination of employment

Board members appointed before 2006 who are entitled to an occupational pension, disability pension, or reduced occupational pension on early retirement receive a pension in the amount of their previous monthly basic remuneration for a period of six months after retiring or leaving the Company.

Occupational pension

Board members appointed for the first time before 1 April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60. Board members appointed for the first time as from 1 April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 62. All members of the Board of Management must retire from active service no later than at the end of the calendar year in which they turn 67.

Benefit:

- In the case of defined contribution plans: Annuity based on the policy reserve or payment of the policy reserve as a lump sum.
- In the case of a combination between defined benefit plans and defined contribution plans: Vested pension from the defined benefit plan and annuity from the policy reserve under the defined contribution plan or payment of a lump sum.

Disability pension

Disability in this respect means that the member of the Board of Management is likely to be unable, or has already been unable, to exercise his or her position for six months without interruption, as a result of illness, injury, or infirmity beyond what is normal for his or her age. The entitlement to a disability pension does not arise until expiry of remuneration payment obligations or continuation of remuneration payment obligations after a mutual agreement to terminate the employment contract, as a result of non-extension or revocation of their appointment to the Board or where the contract of employment has been terminated by the Company due to permanent incapacity.

Benefit:

- In the case of defined contribution plans: 80% of the insured occupational pension up to the age of 59 or 61, with subsequent occupational pension.

- In the case of a combination of defined benefit and defined contribution plans: Vested pension from the defined benefit plan and 80% of the insured occupational pension benefit up to age 59, with subsequent occupational pension based on the defined contribution plan.

Reduced occupational pension on early retirement

Board members appointed before 1 January 2017 are entitled to a reduced occupational pension on early retirement if the contract of employment is terminated as a result of non-extension or revocation of their appointment without the Board members having given cause for this through a gross violation of their duties or having requested it. This applies where the Board members have already passed the age of 50, have been in the employment of the Company for more than ten years when the contract terminates, and have had their appointment to the Board of Management extended at least once.

Benefit:

- In the case of defined contribution plans: Annuity based on the policy reserve or payment of the policy reserve as a lump sum at the date the pension benefit is claimed.
- In the case of a combination of defined benefit and defined contribution plans: Entitlement of between 30% and 60% of pensionable basic remuneration, reduced by 2% for each year or part thereof short of the Board member's 65th birthday; the Company pays the difference between the monthly occupational pension and the monthly incremental pension from the external insurance.

Members of the Board of Management appointed for the first time after 1 January 2017 do not have any entitlement to a reduced occupational pension on early retirement.

Vested benefits for occupational pension, disability pension and surviving dependants

Vested benefits are paid upon the Board member reaching the age of 60 or 62, in the case of disability, or in the event of the Board member's death.

Vested benefits under the German Company Pension Act (BetrAVG):

Board members have vested benefits under the German Company Pension Act if they leave the Company before reaching the age of 60 or 62 and the pension commitment has existed for at least five years previously.

Benefit:

- In the case of defined contribution plans: Annuity based on the policy reserve or payment of the policy reserve as a lump sum at the date the insured event occurs.
- In the case of a combination of defined benefit and defined contribution plans: The entitlement under the vested pension is a proportion of the vested pension based on the ratio of actual service with the Company to the period the Board member would have worked for the Company altogether up to the fixed retirement age (m/n-tel process, Section 2(1) of the Company Pension Act). The entitlement from the incremental pension comprises the pension benefits fully financed under the insurance contract up to the occurrence of the insured event based on the

pension contributions made up to the date of leaving the Company – Section 2(5a) of the Company Pension Act. This entitlement is paid out as an annuity or a lump sum.

Provision for surviving dependants

In the event of the death of a Board member during active service, the surviving dependants continue to receive the previous monthly basic remuneration for a period of six months if the deceased was appointed to the Board of Management before 2006. In the case of Board members appointed for the first time as from 2006, the previous monthly basic remuneration is paid to the beneficiaries for a period of three months. If the Board member's death occurs after retirement, the surviving dependants receive the previous monthly occupational pension for a period of three months, provided the marriage/registration of the civil partnership took place and/or the child was born before the Board member started drawing the occupational pension. Surviving spouses and registered civil partners normally receive a pension amounting to 60% of the defined benefit or insured occupational pension; single orphans receive 20% and double orphans 40%. The total amount may not exceed the occupational pension of the Board member. If the Board member's occupational pension was reduced owing to early retirement, benefits for surviving dependants are based on the reduced occupational pension.

Total remuneration of the Board of Management

The level of the target overall direct remuneration for the individual members of the Board of Management is set by the full Supervisory Board, acting on recommendations from the Supervisory Board's Personnel Committee (from 2018: the Remuneration Committee). Criteria for the appropriateness of remuneration are the respective Board member's duties, the Board member's personal performance, the performance of the Board as a whole, and the financial situation, performance and future prospects of Munich Re. Other criteria are the relevant comparative benchmarks for Board remuneration and the prevailing remuneration structure at Munich Reinsurance Company. The Supervisory Board takes account of the level of Board salaries in relation to the level of salaries paid to senior managers and to general staff members over a period of time, and also determines how senior managers and general staff (pay-scale and non-pay-scale employees) are to be classified for the purpose of this comparison. The consideration of what level of remuneration is appropriate also takes into account data from peer-group companies (including those in the DAX 30). The median remuneration of the DAX 30 companies is used as a reference for the overall remuneration amount of the Chairman of the Board of Management. New Board members are placed at a level which allows sufficient potential for development of the remuneration in the first three years.

Board of Management remuneration is disclosed under two different sets of rules, namely German Accounting Standard No. 17 (DRS 17, revised 2010) and the German Corporate Governance Code. There are therefore deviations in individual remuneration components and total remuneration.

Board of Management remuneration under DRS 17

Under DRS 17, remuneration for annual performance in 2017 is shown as the provisions set aside for that purpose taking into account the relevant additional/reduced expenditure for the previous year, since the performance on which the remuneration is based has been completed as at the balance sheet date and the requisite Board resolution is already foreseeable. Under DRS 17, remuneration for multi-year performance 2014–2016 is recognised in the year of payment, i.e. in 2017. ↗

Fixed and variable remuneration components

The members of Munich Reinsurance Company's Board of Management received remuneration totalling €19.8m (23.1m) for fulfilment of their duties in respect of the parent company and its subsidiaries in the financial year. Remuneration therefore declined by around €3.3m year on year, mainly because the achievement rate for the Group result is 0% owing to the 2017 hurricane losses and because the result of the assessment for the reinsurance field of business was lower year on year both on an annual and multi-year basis. The remuneration received by the individual members of the Board of Management is shown in the table below.

Remuneration of individual Board members as per DRS 17 (revised 2010)

(in accordance with Section 285 sentence 1 (9a) sentences 5–8 of the German Commercial Code (HGB) and Section 314(1) (6a) sentences 5–8 of the German Commercial Code)

Name	Financial year	Remuneration in kind/fringe benefits		Annual performance ¹	Multi-year performance ²	Other	Total
		Basic remuneration	€				
Nikolaus von Bomhard (until 26 April 2017)	2017	420,000	11,664	205,535	1,767,920		2,405,119
	2016	1,260,000	35,783	840,887	1,901,200		4,037,870
Joachim Wenning ³ (Chairman of the Board of Management since 27 April 2017)	2017	1,045,000	128,254	339,533	872,200		2,384,987
	2016	615,000	139,039	511,489	903,070		2,168,598
Giuseppina Albo ³ (until 31 December 2017)	2017	615,000	127,420	-29,293	177,166		890,293
	2016	555,000	21,959	364,293			941,252
Ludger Arnoldussen ⁴ (until 26 April 2017)	2017	205,000	13,811	51,287	862,400		1,132,498
	2016	615,000	90,384	325,572	903,070		1,934,026
Thomas Blunck	2017	615,000	31,466	294,290	872,200		1,812,956
	2016	615,000	31,700	402,459	949,620		1,998,779
Doris Höpke	2017	615,000	32,105	276,203	366,275		1,289,583
	2016	555,000	33,356	519,462			1,107,818
Torsten Jeworrek	2017	885,000	36,179	323,627	1,264,690		2,509,496
	2016	885,000	37,801	601,187	1,410,465		2,934,453
Hermann Pohlchristoph (since 27 April 2017)	2017	410,000	29,940	138,332			578,272
	2016						
Markus Rieß ⁵ thereof for Munich Reinsurance Company	2017	976,250	140,167	615,614		750,000	2,482,031
			337,500	49,342	180,023		750,000
thereof for Munich Reinsurance Company	2016	976,250	115,717	567,351		1,500,000	3,159,318
			337,500	39,677	229,744		1,500,000
Peter Röder	2017	615,000	30,278	218,522	872,200		1,736,000
	2016	615,000	35,034	389,554	921,690		1,961,278
Jörg Schneider	2017	885,000	41,782	401,251	1,250,480		2,578,513
	2016	885,000	37,011	593,055	1,354,605		2,869,671
Total	2017	7,286,250	623,066	2,834,901	8,305,531	750,000	19,799,748
	2016	7,576,250	577,784	5,115,309	8,343,720	1,500,000	23,113,063

1 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2017 annual performance. The amounts shown for annual performance remuneration are based on estimates, i.e. the relevant provisions and the additional/reduced expenditure for 2016. The amounts shown for the 2016 annual performance comprise the respective provision for 2016 and the relevant additional/reduced expenditure for 2015. The actual bonus payments for 2016 can be seen in the remuneration tables "Remuneration paid in accordance with the German Corporate Governance Code" on page 38 ff.

2 The amounts paid out in 2017 were for multi-year performance 2014–2016, those paid out in 2016 were for 2013–2015.

3 Remuneration in kind/fringe benefits for 2017 including expenditure for security (Wenning) and anniversary payments (Albo).

4 As compensation for a post-contractual non-competition agreement, Ludger Arnoldussen was paid a total of €1,515,000 for the period May to December 2017.

5 The compensation components that Markus Rieß received for his work at ERGO Group AG are included in the remuneration.

Remuneration in kind/fringe benefits for 2017 including expenditure for security.

Other: Compensation, payable in four equal instalments, for the forfeited variable remuneration from the previous employer.

The variable remuneration amounts payable are listed in the table below.

Amounts payable for variable remuneration of the individual Board members in the event of 100% performance evaluation as per DRS 17 (revised 2010), corridor 0-200%

Name			Annual bonus/ performance ^{1, 3}	Multi-year bonus/ performance ^{2, 3}	Total amounts payable
	Set in	for	€	€	€
Nikolaus von Bomhard ⁴ (until 26 April 2017)	2017	2018	-	-	-
	2016	2017	294,000	686,000	980,000
Joachim Wenning (Chairman of the Board of Management since 27 April 2017)	2017	2018	667,500	1,557,500	2,225,000
	2016	2017	731,500	1,706,833	2,438,333
Giuseppina Albo ⁵ (until 31 December 2017)	2017	2018	-	-	-
	2016	2017	-	-	-
Ludger Arnoldussen ⁴ (until 26 April 2017)	2017	2018	-	-	-
	2016	2017	143,500	334,833	478,333
Thomas Blunck	2017	2018	322,500	752,500	1,075,000
	2016	2017	430,500	1,004,500	1,435,000
Doris Höpke	2017	2018	322,500	752,500	1,075,000
	2016	2017	430,500	1,004,500	1,435,000
Torsten Jeworrek	2017	2018	465,000	1,085,000	1,550,000
	2016	2017	619,500	1,445,500	2,065,000
Hermann Pohlchristoph ⁶ (since 27 April 2017)	2017	2018	303,750	708,750	1,012,500
	2017	2017	259,000	604,333	863,333
Markus Rieß ⁷ thereof for Munich Reinsurance Company	2017	2018	191,250	446,250	637,500
			191,250	446,250	637,500
	2016	2017	592,125	1,381,625	1,973,750
thereof for Munich Reinsurance Company			236,250	551,250	787,500
Peter Röder	2017	2018	322,500	752,500	1,075,000
	2016	2017	430,500	1,004,500	1,435,000
Jörg Schneider	2017	2018	465,000	1,085,000	1,550,000
	2016	2017	619,500	1,445,500	2,065,000
Total	2017	2018	3,060,000	7,140,000	10,200,000
	2016/2017	2017	4,550,625	10,618,124	15,168,749

1 The remuneration set for the annual component for 2017 is payable in 2018, that for 2018 in 2019.

2 The remuneration set for the multi-year component for 2017 is payable in 2020, that for 2018 in 2022.

3 Information on the assessment bases and parameters for the amounts set for 2017 is available on [page 28 f.](#), and for the amounts set for 2018 on [page 41 ff.](#)

4 The amounts set for 2017 were granted pro rata temporis for a period of four months.

5 The entitlement to variable remuneration was forfeited owing to departure.

6 The amounts set for 2017 were granted pro rata temporis for a period of eight months.

7 The compensation components that Markus Rieß receives for his work at ERGO Group AG are included in the remuneration agreed for 2017.

Owing to changes to the remuneration system, ERGO Group AG will no longer grant Markus Rieß any variable target amounts with effect from 2018.

Pension entitlements

Personnel expenses of €6.4m (6.5m) were incurred in the financial year to finance the pension entitlements for active members of the Board of Management. Of these, €1.3m was apportionable to defined benefit plans and around €5.1m to defined contribution plans. As a consequence of the risk transfer to an external pension

insurer under the defined contribution system, the visible pension costs since 2009 are noticeably higher. The Company accepts this increase in order to avoid higher costs in future and to eliminate long-term pension-specific risks. The following defined benefits, present values, contribution rates and personnel expenses result for the individual members of the Board of Management:

Pension entitlements

Name	Financial year	Defined benefit plan		
		Defined benefit ¹ €/year	Present value of defined benefit as at 31 December	Provisions for personnel expenses ²
			€	€
Nikolaus von Bomhard ³ (until 26 April 2017)	2017	407,100	17,641,804	0
	2016	407,100	16,653,577	287,233
Joachim Wenning ^{4, 5} (Chairman of the Board of Management since 27 April 2017)	2017	-	16,414	1,164
	2016	-	9,596	1,253
Giuseppina Albo ⁶ (until 31 December 2017)	2017	-	1,962	1,872
	2016	-	4,458	2,297
Ludger Arnoldussen ⁷ (until 26 April 2017)	2017	157,500	4,439,347	388,255
	2016	157,500	4,003,478	357,138
Thomas Blunck ^{4, 5}	2017	120,000	3,581,907	178,062
	2016	120,000	3,184,449	160,734
Doris Höpke ^{4, 5}	2017	-	10,664	507
	2016	-	8,816	598
Torsten Jeworrek ^{4, 8}	2017	171,000	6,303,340	212,254
	2016	171,000	5,709,959	193,904
Hermann Pohlchristoph ^{4, 9} (since 27 April 2017)	2017	-	5,740	628
	2016	-	-	-
Markus Rieß ^{4, 10} thereof for Munich Reinsurance Company	2017	-	42,116	10,944
		-	42,116	10,944
	2016	-	14,319	10,370
Peter Röder ^{4, 8}	2017	90,000	3,082,126	112,941
	2016	90,000	3,124,511	104,070
Jörg Schneider ^{4, 8}	2017	275,000	11,170,862	356,081
	2016	275,000	10,320,861	328,896
Total	2017	1,220,600	46,296,282	1,262,708
	2016	1,220,600	43,034,024	1,446,493

See table on next page for footnotes

Pension entitlements

Name	Financial year	Pension contribution rate for target overall direct remuneration %	Defined contribution plan		
			Entitlement as at 31 December €/year	Present value of entitlement as at 31 December €	Personnel expenses €
Nikolaus von Bomhard ³ (until 26 April 2017)	2017	17.00	247,690	9,659,613	238,000
	2016	17.00	222,085	7,639,349	714,000
Joachim Wenning ^{4, 5} (Chairman of the Board of Management since 27 April 2017)	2017	25.50	162,812	- ¹¹	888,250
	2016	25.50	132,163	- ¹¹	522,750
Giuseppina Albo ⁶ (until 31 December 2017)	2017	25.50	50,198	- ¹¹	522,750
	2016	25.50	33,081	- ¹¹	471,750
Ludger Arnoldussen ⁷ (until 26 April 2017)	2017	14.75	72,100	2,991,029	100,792
	2016	14.75	93,956	3,912,302	302,375
Thomas Blunck ^{4, 5}	2017	16.25	123,421	4,974,648	333,125
	2016	16.25	109,650	4,471,819	333,125
Doris Höpke ^{4, 5}	2017	25.50	58,488	- ¹¹	522,750
	2016	25.50	40,733	- ¹¹	471,750
Torsten Jeworrek ^{4, 8}	2017	19.50	206,002	8,537,140	575,250
	2016	19.50	182,894	7,601,747	575,250
Hermann Pohlchristoph ^{4, 9} (since 27 April 2017)	2017	25.50	8,269	- ¹¹	324,700
	2016	-	-	-	-
Markus Rieß ^{4, 10}	2017	25.19	48,557	883,284 ¹²	743,125
thereof for Munich Reinsurance Company		25.50	18,382	- ¹¹	286,875
	2016	25.19	27,236	527,660 ¹²	743,125
thereof for Munich Reinsurance Company		25.50	10,365	- ¹¹	286,875
Peter Röder ^{4, 8}	2017	20.25	143,058	5,781,036	415,125
	2016	20.25	126,480	5,349,033	415,125
Jörg Schneider ^{4, 8}	2017	16.50	170,676	7,251,118	486,750
	2016	16.50	151,171	6,356,425	486,750
Total	2017		1,291,271	40,077,868	5,150,617
	2016		1,119,449	35,858,335	5,036,000

1 In the case of Board members transferred from the old system to the new, the amount corresponds to the value of the annual vested pension at 31 December 2008.

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

3 Left the Board as at 26 April 2017; has received a pension since 1 May 2017.

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

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

6 Left the Board as at 31 December 2017; entitled to a pension with effect from 1 December 2024.

7 Left the Board as at 26 April 2017; entitled to a reduced occupational pension on early retirement with effect from 1 May 2019.

8 Entitled to a reduced occupational pension on early retirement in the event of premature termination of employment, and to an occupational pension in the event of regular termination of employment.

9 Entitled to vested benefits under the Company Pension Act in the event of premature or regular termination of employment.

10 Entitled to vested benefits under the Company Pension Act in the event of regular termination of employment.

11 Defined contribution plan within the meaning of IAS 19: Employee Benefits, so no present value shown.

12 Munich Reinsurance Company: see footnote 11; ERGO Group AG: no defined contribution plan within the meaning of IAS 19, so present value shown.

Board of Management remuneration under the German Corporate Governance Code

As required by the provisions of the German Corporate Governance Code, the following tables show the benefits granted and remuneration paid out to individual members of the Board of Management in the year under review.

The basic remuneration, remuneration in kind/fringe benefits and pension expenses (sum of personnel expenses

for defined benefit plans and defined contribution plans) are in accordance with German Accounting Standard No. 17 (DRS 17). There are some deviations with regard to variable remuneration for annual and multi-year performance.

The following tables show the benefits granted and the remuneration paid out in accordance with the German Corporate Governance Code:

Benefits granted in accordance with the German Corporate Governance Code

€	Nikolaus von Bomhard Chairman of the Board of Management (leaving date: 26 April 2017)				Joachim Wenning Board member (until 26 April 2017) Chairman of the Board of Management (since 27 April 2017)			
	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016
Basic remuneration	420,000	420,000	420,000	1,260,000	1,045,000	1,045,000	1,045,000	615,000
Remuneration in kind/fringe benefits	11,664	11,664	11,664	35,783	128,254	128,254	128,254	139,039
Total	431,664	431,664	431,664	1,295,783	1,173,254	1,173,254	1,173,254	754,039
One-year variable remuneration								
Annual performance 2016				882,000				430,500
Annual performance 2017	294,000	0	588,000		731,500	0	1,463,000	
Multi-year variable remuneration								
Multi-year performance 2016-2018				2,058,000				1,004,500
Multi-year performance 2017-2019	686,000	0	1,372,000		1,706,833	0	3,413,666	
Other								
Total	1,411,664	431,664	2,391,664	4,235,783	3,611,587	1,173,254	6,049,920	2,189,039
Pension expenses	238,000	238,000	238,000	1,001,233	889,414	889,414	889,414	524,003
Total remuneration	1,649,664	669,664	2,629,664	5,237,016	4,501,001	2,062,668	6,939,334	2,713,042

€	Giuseppina Albo Board member (leaving date: 31 December 2017)				Ludger Arnoldussen ² Board member (leaving date: 26 April 2017)			
	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016
Basic remuneration	615,000	615,000	615,000	555,000	205,000	205,000	205,000	615,000
Remuneration in kind/fringe benefits	127,420	127,420	127,420	21,959	13,811	13,811	13,811	90,384
Total	742,420	742,420	742,420	576,959	218,811	218,811	218,811	705,384
One-year variable remuneration								
Annual performance 2016				388,500				430,500
Annual performance 2017 ¹	-	-	-		143,500	0	287,000	
Multi-year variable remuneration								
Multi-year performance 2016-2018 ¹				-				1,004,500
Multi-year performance 2017-2019 ¹	-	-	-		334,833	0	669,666	
Other								
Total	742,420	742,420	742,420	965,459	697,144	218,811	1,175,477	2,140,384
Pension expenses	524,622	524,622	524,622	474,047	489,047	489,047	489,047	659,513
Total remuneration	1,267,042	1,267,042	1,267,042	1,439,506	1,186,191	707,858	1,664,524	2,799,897

€	Thomas Blunck Board member				Doris Höpke Board member			
	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016
Basic remuneration	615,000	615,000	615,000	615,000	615,000	615,000	615,000	555,000
Remuneration in kind/fringe benefits	31,466	31,466	31,466	31,700	32,105	32,105	32,105	33,356
Total	646,466	646,466	646,466	646,700	647,105	647,105	647,105	588,356
One-year variable remuneration								
Annual performance 2016				430,500				388,500
Annual performance 2017	430,500	0	861,000		430,500	0	861,000	
Multi-year variable remuneration								
Multi-year performance 2016-2018				1,004,500				906,500
Multi-year performance 2017-2019	1,004,500	0	2,009,000		1,004,500	0	2,009,000	
Other								
Total	2,081,466	646,466	3,516,466	2,081,700	2,082,105	647,105	3,517,105	1,883,356
Pension expenses	511,187	511,187	511,187	493,859	523,257	523,257	523,257	472,348
Total remuneration	2,592,653	1,157,653	4,027,653	2,575,559	2,605,362	1,170,362	4,040,362	2,355,704

Continued on next page

→	Torsten Jeworrek				Hermann Pohlchristoph			
	Board member				Board member (joined: 27 April 2017)			
€	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016
Basic remuneration	885,000	885,000	885,000	885,000	410,000	410,000	410,000	-
Remuneration in kind/fringe benefits	36,179	36,179	36,179	37,801	29,940	29,940	29,940	-
Total	921,179	921,179	921,179	922,801	439,940	439,940	439,940	-
One-year variable remuneration								
Annual performance 2016				619,500				-
Annual performance 2017	619,500	0	1,239,000		259,000	0	518,000	
Multi-year variable remuneration								
Multi-year performance 2016-2018				1,445,500				-
Multi-year performance 2017-2019	1,445,500	0	2,891,000		604,333	0	1,208,666	
Other								
Total	2,986,179	921,179	5,051,179	2,987,801	1,303,273	439,940	2,166,606	-
Pension expenses	787,504	787,504	787,504	769,154	325,328	325,328	325,328	-
Total remuneration	3,773,683	1,708,683	5,838,683	3,756,955	1,628,601	765,268	2,491,934	-

→	Total ³				thereof for Munich Reinsurance Company			
	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016
€								
Basic remuneration	976,250	976,250	976,250	976,250	337,500	337,500	337,500	337,500
Remuneration in kind/fringe benefits	140,167	140,167	140,167	115,717	49,342	49,342	49,342	39,677
Total	1,116,417	1,116,417	1,116,417	1,091,967	386,842	386,842	386,842	377,177
One-year variable remuneration								
Annual performance 2016				592,125				236,250
Annual performance 2017	592,125	0	1,184,250		236,250	0	472,500	
Multi-year variable remuneration								
Multi-year performance 2016-2018				1,381,625				551,250
Multi-year performance 2017-2019	1,381,625	0	2,763,250		551,250	0	1,102,500	
Other ⁴	750,000	750,000	750,000	1,500,000	750,000	750,000	750,000	1,500,000
Total	3,840,167	1,866,417	5,813,917	4,565,717	1,924,342	1,136,842	2,711,842	2,664,677
Pension expenses	754,069	754,069	754,069	753,495	297,819	297,819	297,819	297,245
Total remuneration	4,594,236	2,620,486	6,567,986	5,319,212	2,222,161	1,434,661	3,009,661	2,961,922

→	Peter Röder				Jörg Schneider			
	Board member				Board member			
€	2017	2017 (min.)	2017 (max.)	2016	2017	2017 (min.)	2017 (max.)	2016
Basic remuneration	615,000	615,000	615,000	615,000	885,000	885,000	885,000	885,000
Remuneration in kind/fringe benefits	30,278	30,278	30,278	35,034	41,782	41,782	41,782	37,011
Total	645,278	645,278	645,278	650,034	926,782	926,782	926,782	922,011
One-year variable remuneration								
Annual performance 2016				430,500				619,500
Annual performance 2017	430,500	0	861,000		619,500	0	1,239,000	
Multi-year variable remuneration								
Multi-year performance 2016-2018				1,004,500				1,445,500
Multi-year performance 2017-2019	1,004,500	0	2,009,000		1,445,500	0	2,891,000	
Other								
Total	2,080,278	645,278	3,515,278	2,085,034	2,991,782	926,782	5,056,782	2,987,011
Pension expenses	528,066	528,066	528,066	519,195	842,831	842,831	842,831	815,646
Total remuneration	2,608,344	1,173,344	4,043,344	2,604,229	3,834,613	1,769,613	5,899,613	3,802,657

- 1 Albo: The entitlement to variable remuneration not paid out was forfeited owing to departure.
- 2 Arnoldussen: Compensation for a post-contractual non-competition agreement totalling €1,515,000 for the period May to December 2017.
- 3 Rieß: Remuneration also includes compensation components and pension expenses for work at ERGO Group AG.
- 4 Rieß: Compensation, payable in four equal instalments, for the forfeited variable remuneration from the previous employer.

Remuneration paid in accordance with the German Corporate Governance Code

€	Nikolaus von Bomhard Chairman of the Board of Management (leaving date: 26 April 2017)			Joachim Wenning Board member (until 26 April 2017) Chairman of the Board of Management (since 27 April 2017)		
	2017	2016	Overall performance evaluation in %	2017	2016	Overall performance evaluation in %
Basic remuneration	420,000	1,260,000		1,045,000	615,000	
Remuneration in kind/fringe benefits	11,664	35,783		128,254	139,039	
Total	431,664	1,295,783		1,173,254	754,039	
One-year variable remuneration						
Annual performance 2016 ¹		917,280	104		443,415	103
Annual performance 2017 ²	146,706		50	365,019		50
Multi-year variable remuneration						
Multi-year performance 2014-2016 ¹		1,767,920	88		872,200	89
Multi-year performance 2015-2017 ³	1,370,740		68	606,032		62
Other						
Total	1,949,110	3,980,983		2,144,305	2,069,654	
Pension expenses	238,000	1,001,233		889,414	524,003	
Total remuneration	2,187,110	4,982,216		3,033,719	2,593,657	

€	Giuseppina Albo Board member (leaving date: 31 December 2017)			Ludger Arnoldussen Board member (leaving date: 26 April 2017)		
	2017 ⁴	2016	Overall performance evaluation in %	2017 ⁵	2016	Overall performance evaluation in %
Basic remuneration	615,000	555,000		205,000	615,000	
Remuneration in kind/fringe benefits	127,420	21,959		13,811	90,384	
Total	742,420	576,959		218,811	705,384	
One-year variable remuneration						
Annual performance 2016 ¹		357,420	92		370,230	86
Annual performance 2017 ²	-		-	76,643		53
Multi-year variable remuneration						
Multi-year performance 2014-2016 ¹		177,166	89		862,400	88
Multi-year performance 2015-2017 ³	-		-	609,952		62
Other						
Total	742,420	1,111,545		905,406	1,938,014	
Pension expenses	524,622	474,047		489,047	659,513	
Total remuneration	1,267,042	1,585,592		1,394,453	2,597,527	

See table on next page for footnotes

→	Thomas Blunck Board member			Doris Höpke Board member		
	€	2017	2016	Overall performance evaluation in %	2017	2016
Basic remuneration	615,000	615,000		615,000	555,000	
Remuneration in kind/fringe benefits	31,466	31,700		32,105	33,356	
Total	646,466	646,700		647,105	588,356	
One-year variable remuneration						
Annual performance 2016 ¹		430,500	100		431,235	111
Annual performance 2017 ²	320,723		75	342,248		80
Multi-year variable remuneration						
Multi-year performance 2014-2016 ¹		872,200	89		366,275	69
Multi-year performance 2015-2017 ³	606,032		62	439,132		55
Other						
Total	1,573,221	1,949,400		1,428,485	1,385,866	
Pension expenses	511,187	493,859		523,257	472,348	
Total remuneration	2,084,408	2,443,259		1,951,742	1,858,214	

→	Torsten Jeworrek Board member			Hermann Pohlchristoph Board member (joined: 27 April 2017)		
	€	2017	2016	Overall performance evaluation in %	2017	2016
Basic remuneration	885,000	885,000		410,000	-	
Remuneration in kind/fringe benefits	36,179	37,801		29,940	-	
Total	921,179	922,801		439,940	-	
One-year variable remuneration						
Annual performance 2016 ¹		613,305	99		-	
Annual performance 2017 ²	334,530		54	138,332		53
Multi-year variable remuneration						
Multi-year performance 2014-2016 ¹		1,264,690	89		-	
Multi-year performance 2015-2017 ³	878,746		62	-		
Other						
Total	2,134,455	2,800,796		578,272	-	
Pension expenses	787,504	769,154		325,328	-	
Total remuneration	2,921,959	3,569,950		903,600	-	

See table on [next page](#) for footnotes

			Markus Rieß		Overall performance evaluation in %
			Board member		
			Total ⁶	thereof for Munich Reinsurance Company	
€	2017	2016	2017	2016	
Basic remuneration	976,250	976,250	337,500	337,500	
Remuneration in kind/fringe benefits	140,167	115,717	49,342	39,677	
Total	1,116,417	1,091,967	386,842	377,177	
One-year variable remuneration					
Annual performance 2016 ¹		702,554		266,963	113
Annual performance 2017 ²	497,625		141,750		60
Multi-year variable remuneration					
Multi-year performance 2014-2016 ¹		-		-	
Multi-year performance 2015-2017 ³	974,562		144,187		94
Other ⁷	750,000	1,500,000	750,000	1,500,000	
Total	3,338,604	3,294,521	1,422,779	2,144,140	
Pension expenses	754,069	753,495	297,819	297,245	
Total remuneration	4,092,673	4,048,016	1,720,598	2,441,385	

			Peter Röder		Jörg Schneider	
			Board member		Board member	
			Overall performance evaluation in %		Overall performance evaluation in %	
€	2017	2016	2017	2016	2017	2016
Basic remuneration	615,000	615,000			885,000	885,000
Remuneration in kind/fringe benefits	30,278	35,034			41,782	37,011
Total	645,278	650,034			926,782	922,011
One-year variable remuneration						
Annual performance 2016 ¹		447,720	104		638,085	103
Annual performance 2017 ²	198,030		46		371,081	60
Multi-year variable remuneration						
Multi-year performance 2014-2016 ¹		872,200	89		1,250,480	88
Multi-year performance 2015-2017 ³	606,032		62		969,549	68
Other						
Total	1,449,340	1,969,954			2,267,412	2,810,576
Pension expenses	528,066	519,195			842,831	815,646
Total remuneration	1,977,406	2,489,149			3,110,243	3,626,222

- 1 In the 2016 Annual Report, the amounts to be paid for the 2016 annual performance and multi-year performance 2014-2016 were recognised on the basis of the reserves, as no Supervisory Board resolution had yet been passed on the actual bonus amounts to be paid. The 2017 Annual Report shows the actual amounts set by the Supervisory Board and to be paid out for 2016.
- 2 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2017 annual performance; the amount shown is based on estimates and the relevant provisions posted.
- 3 At the time of preparation of this report, no Supervisory Board resolution had yet been passed on the amounts to be paid for the 2015-2017 multi-year performance; the amount shown is based on estimates and the relevant provisions posted.
- 4 Albo: The entitlement to variable remuneration not paid out was forfeited owing to departure.
- 5 Arnoldussen: Compensation for a post-contractual non-competition agreement totalling €1,515,000 for the period May to December 2017.
- 6 Rieß: Remuneration also includes compensation components and pension expenses for work at ERGO Group AG.
- 7 Rieß: Compensation, payable in four equal instalments, for the forfeited variable remuneration from the previous employer.

Remuneration of the members of the Board of Management from 2018

Separate Remuneration Committee from 2018

The Supervisory Board set up a separate Remuneration Committee with effect from 1 January 2018, of which the Chairman of the Supervisory Board and one representative each of the shareholders and employees are members. Following the 2019 Supervisory Board election, the Committee is to be set up in such a way that the two shareholder representatives may not be members of the Supervisory Board for more than ten years. This enables us to comply with a key demand of our shareholders. As a result of the establishment of the Remuneration Committee, responsibility for all remuneration-related matters concerning members of the Board of Management has been transferred from the Personnel Committee to the Remuneration Committee. This has no effect on the remaining tasks of the Personnel Committee, such as the appointment and dismissal of Board members or the conclusion of contracts.

New remuneration system from 2018

The Supervisory Board agreed a new remuneration system effective from 1 January 2018, partly because the remuneration system for the members of the Board of

Management was rejected at the 2017 Annual General Meeting. The new remuneration system complies with legal requirements as did the previous system, takes account of the major issues raised in the previous year and is much leaner, less complex and easier to comprehend. The major reduction in complexity, paired with externally accepted indicators, means that the Company will be able to disclose the assessment bases and evaluations for the Board of Management's remuneration in a more transparent manner in future, and therefore better meet the requirements of shareholders and their representatives.

The new remuneration system for the Board of Management will be put to the vote at the Annual General Meeting on 25 April 2018.

The structure of the remuneration system for the members of the Board of Management with effect from 2018 is shown below. A particular focus is on the changes compared with the previous remuneration system, and reasons are given in each particular case.

Remuneration continues to comprise fixed (non-performance-related) and variable (performance-related) components and a company pension scheme. Details are included in the following table:

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

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

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

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

Fixed remuneration

Fixed remuneration comprises basic remuneration plus the remuneration in kind and fringe benefits (including company cars and insurance policies) previously granted. The payroll tax on the remuneration in kind and fringe benefits will continue to be borne by Munich Re.

The share of basic remuneration in the target overall direct remuneration will be increased from 30% to 50%. The higher weighting of the basic remuneration ensures a greater balance in the composition of the overall remuneration, which is also a requirement under Solvency II. In accordance with Solvency II, fixed and variable remuneration components must be in balance, so that the fixed component represents a sufficiently high proportion of the total remuneration and enables the undertaking to apply a fully flexible bonus policy, including the possibility of paying no variable remuneration at all. The reduction in the variable component is designed to avoid providing Board members with the incentive to take excessive risk in order to achieve a higher bonus. Moreover, variable remuneration, which is geared solely to financial objectives and will in future only take qualitative aspects into consideration as part of the overall performance evaluation, will become significantly more volatile than was previously the case with qualitative objectives. Individual investors have also been increasingly requesting a strengthening of fixed remuneration. For these reasons, it seems appropriate to raise basic remuneration.

Variable remuneration

Assessment bases and link to corporate strategy

Variable remuneration has been completely revamped. It continues to comprise an annual and multi-year component, both of which are related to the future (as was previously the case). The assessment bases used, however, differ from those in the previous remuneration system. One of the main reasons for this is that disclosure of the financial objectives set for members of the Board of Management – which was requested by investors for the sake of greater transparency – was previously out of the question owing to its relevance for the competition and impact on clients' interests. The assessment bases of the new remuneration system do not have these disadvantages.

Going forward, the exact target for the IFRS consolidated result used for the annual bonus, and the respective figures for a 0% and 200% achievement of objectives (linear scaling) will be communicated externally. The target cannot be adjusted retroactively. After the assessment period has ended, the IFRS consolidated result achieved and the corresponding achievement of this objective will also be disclosed. As regards the total shareholder return (TSR) of Munich Re's shares used for the multi-year bonus, which is measured in relative terms in comparison with the peer group, the specific values for assessing the achievement will not be available until the end of the plan period. The values used for 0% and 200% of the linear scaling will be communicated externally prior to the 2018 Annual General Meeting. After assessing this achievement, this too will be communicated together with the comparable values for the peer group. This ensures comprehensive transparency regarding the financial objectives.

As only one financial indicator each is used in the annual and multi-year bonus, the variable remuneration component is easier to understand. The Company has deliberately decided in favour of this simpler method in order to reduce the complexity of the previous remuneration system. The IFRS consolidated result and TSR on Munich Re's shares in comparison with the peer group are two ambitious and exacting indicators promoting long-term corporate strategy. Both indicators can be influenced by the Board of Management.

Munich Re's business strategy is geared to profitable growth and successful positioning among our competitors. As an established result aggregate and relevant key figure for the capital market, the IFRS consolidated result takes account of high and stable earnings power in the annual variable remuneration component. The target for the IFRS consolidated result is based on annual planning figures, which in turn reflect Munich Re's business strategy.

Based on its long-term strategic orientation and economic management of the Group, Munich Re is convinced of its ability to sustainably create value for its shareholders in the form of TSR. TSR takes account of dividend payments as well as share price performance. A multi-year component based on an increase in TSR in comparison with our peer group makes up the largest portion of the new variable remuneration for the Board of Management. From Munich Re's point of view, the relative TSR is well suited for bringing in line the interests of shareholders and of the members of the Board of Management. As TSR is measured over a period of several years, it reflects Munich Re's sustainable and long-term performance not only in absolute terms, but also in relative terms. After all, above-average TSR development in comparison with the peer group is not conceivable in the long term without simultaneously ↗

generating good results and creating value for our shareholders. Surpassing the performance of our peer group can be in the interests of shareholders – even in a weak market environment.

As soon as the information on the achievement of objectives is available, as part of the overall performance evaluation the Supervisory Board can take into consideration both in the annual and multi-year bonus the performance of the individual members of the Board of Management and the Board of Management as a whole, along with Munich Re's financial situation, performance and future prospects. This is done by means of a loading or reduction of up to 20 percentage points on the relevant objective achieved.

In evaluating overall performance, in particular financial and non-financial criteria for the individual member's performance and the performance of the respective divisional unit/division and the field of business need to be taken into consideration. Other aspects, such as those relating to periods prior to the appraisal period in question, may also be taken into account. For this purpose, the Supervisory Board has compiled a set of criteria with the following examples of bonus-malus aspects:

Annual and multi-year bonus: Criteria for the evaluation of overall performance

Individual management performance	<ul style="list-style-type: none"> - Result of division/divisional unit, contribution to overall performance - Personal performance (qualitative and/or quantitative) - ESG (environmental, social and governance) criteria - Employee satisfaction - Consideration of special market circumstances or unexpected developments - Implementation of strategy, improvements in organisation and processes, innovation - Conduct (leadership, role model function, adherence to guidelines/compliance requirements, cooperation with colleagues and Supervisory Board)
Collective management performance	<ul style="list-style-type: none"> - Result of field of business (reinsurance and/or primary insurance) - ESG (environmental, social and governance) criteria - Employee satisfaction - Reaction to special market circumstances and unforeseeable developments
Financial situation, performance and future prospects of the Company	<ul style="list-style-type: none"> - Financial situation of the Company - Short-term and long-term profit prospects - Market environment (interest rates, situation in the industry, etc.)

Further key aspects can also be taken into consideration.

Transparency is provided with regard to whether and for what loadings or reductions were made and what they amounted to.

The evaluation of overall performance can also take into account factors that influence business development but are not reflected in the IFRS consolidated result and TSR. Therefore, in light of the aim of keeping the remuneration system simple and transparent, no further financial assessment bases are needed.

Targets for the annual bonus

The aim of the annual bonus is to achieve a high IFRS consolidated result. A target of €2,300m was set for 2018, with the following linear scaling for the 0–200% target corridor:

€1,600m = 0% achievement of objective
€2,300m = 100% achievement of objective
€3,000m = 200% achievement of objective

The target chosen for 2018 is a challenging objective for the members of the Board of management given the prevailing low-interest-rate policies and fierce competition in the reinsurance markets.

Targets for the multi-year bonus

The objective of the multi-year bonus is the sustainable performance of Munich Re's shares in terms of TSR in comparison with the peer group. The companies in the peer group were selected based on comparable business activities and size. Furthermore, they must be listed on the stock exchange and subject to similar accounting standards as Munich Re, which is why the peer group only includes European primary insurance and reinsurance companies. The peer group comprises Allianz, Axa, Generali, Hannover Re, SCOR, Swiss Re and Zurich Insurance Group. It is the same peer group as for the analysts' conference.

The multi-year bonus spans five calendar years. In the first calendar year, the initial TSR is established, and at the end of the scheme, the end TSR is computed and compared in order to determine achievement of the objective. The calculations are made on the basis of reporting date figures.

The figures used for target assessment (scaling) will be decided by the Supervisory Board at its meeting in March 2018. As the editorial deadline for the Annual Report precedes the Supervisory Board meeting, this information could not be included in the remuneration report. However, it will be made available on the Munich Re website on 16 March 2018.

Deferral

The run time of the flexible and deferred multi-year bonus takes account of the nature and time horizon of the Company's business activities. The TSR in the multi-year bonus fully reflects the sustainable and long-term performance of Munich Re's shares, so that a further multi-year deferral period – which in turn is geared to share price performance – is neither expedient nor necessary. In the case of the annual bonus, a deferral period does not offer any significant added value either, as the annual bonus makes up only 15% of overall remuneration.

Limit to variable remuneration (malus) and clawback

Given that the Supervisory Board can take into account a loading or discount of up to 20 percentage points on both the annual bonus and the multi-year bonus in order to reflect the achievements of the individual members of the Board of Management and the Board of Management as a whole, it has the option of reducing variable remuneration in the case of negative result contributions.

According to the employment contracts for members of the Board of Management appointed for the first time after 1 January 2017, all unpaid variable remuneration components are forfeited in the event of termination of a Board member's contract by the Company for good cause or in the event of relinquishment by a Board member of their appointment to the Board of Management without good cause.

In addition, all employment contracts of the members of the Board of Management provide for the right of the Company to implement any requirements by the supervisory authority to limit, cancel or not pay out variable remuneration in relation to the member of the Board of Management.

Contractual clawback provisions requiring reimbursement of variable remuneration components already paid out are triggered in the event of a serious breach of duty. With effect from 2018, all employment contracts of the members of the Board of Management include a provision according to which, in particular pursuant to Section 93 of the German Stock Corporation Act (AktG), a member of the Board of Management is required to reimburse the Company for any damage attributable to them as a result of a breach of duty. The contractual indemnity provision protects the Company; it is designed to safeguard the Company's assets in the event of a serious breach of duty. In the Company's view, an additional clawback provision for bonuses already paid is therefore not required.

Upper remuneration limits

The target corridor of 0–200% defines an upper limit for variable remuneration paid to members of the Board of Management. Any higher achievement of objectives is capped at 200%; in this case, there is therefore also no loading as a result of the overall performance evaluation. In addition, there are caps on the maximum amounts of total remuneration and its variable components in accordance with the German Corporate Governance Code.

Share ownership of the members of the Board of Management

Unlike previously, members of the Board of Management are no longer obliged to invest in Company shares under the new remuneration system. There are several reasons for this:

The TSR used in the multi-year bonus reflects the performance of Munich Re's shares, which ensures that the interests of the Board of Management are in line with those of our shareholders. From the Company's point of view, the steadily increasing requirements under insider trading law regarding the purchase and sale of shares as well as the rising number of investigations – also in ↗

connection with share-based remuneration components – are compelling arguments against remuneration based on an obligation to purchase shares. The reputational damage that may ensue for a company is huge (even if the legal proceedings are terminated) and may also have a negative effect on shareholders.

In addition, the members of the Board of Management appointed prior to 2017 already hold a large number of Company shares. Moreover, all members of the Board of Management are obliged under the 2017 annual performance plan and all or individual multi-year performance plans (2015–2017, 2016–2018 and 2017–2019) to continue to invest in Company shares over the next few years.

Share ownership of the members of the Board of Management

Members of the Board of Management	Number	XETRA	Total value	Total value
	of shares on	Closing	of shares on	of shares in
	29.12.2017 ¹	price on	29.12.2017 ¹	% of basic
		29.12.2017 ¹		remuneration
		€	€	for 2017
				%
Joachim Wenning ²	10,202	180.75	1,844,011.50	176
Giuseppina Albo ³ (until 31 December 2017)	3,525	180.75	637,143.75	104
Thomas Blunck	4,062	180.75	734,206.50	119
Doris Höpke	2,528	180.75	456,936.00	74
Torsten Jeworrek	12,361	180.75	2,234,250.75	252
Hermann Pohlchristoph (joined: 27 April 2017)	0	-	-	-
Markus Rieß ⁴	1,435	180.75	259,376.25	27
Peter Röder	6,370	180.75	1,151,377.50	187
Jörg Schneider	6,965	180.75	1,258,923.75	142

1 Last trading day in 2017.

2 The basic remuneration that Joachim Wenning received for 2017 is calculated on the basis of the basic remuneration for a period of four months as a full member of the Board of Management and eight months as Chairman of the Board of Management.

3 Where shares held by Giuseppina Albo are still subject to minimum holding periods, these continue to apply despite her departure from the Company.

4 As regards the overall value of the shares in relation to basic remuneration, the basic remuneration that Markus Rieß received for his work at ERGO Group AG was also taken into consideration.

Pensions

There have been no changes to the pensions for members of the Board of Management compared with 2017.

Other

No guaranteed variable remuneration (sign-on bonuses/recruitment bonuses)

As a matter of principle, the Company does not pay guaranteed variable remuneration to members of the Board of Management. We only pay sign-on/recruitment bonuses in exceptional cases and on production of corresponding evidence if a new member of the Board of Management forfeits a bonus by a previous employer. Compensation for forfeiting variable remuneration components paid by a previous employer is in any case limited to the first year of employment. Payment is effected in several instalments, and is tied to prerequisites for disbursement.

Severance cap and change of control

Members of the Board of Management appointed before 1 January 2017 have no contractual right to severance payments. If the Board member's activities on the Board are terminated prematurely by the Company without good cause, payments due may not exceed the equivalent of two years' total remuneration (three years' total remuneration in the event of acquisition of a controlling interest or change of control within the meaning of Section 29(2) of the Securities Acquisition and Takeover Act - WpÜG) and may not cover more than the remaining period of the employment contract if this is shorter. If the employment contract is terminated for good cause on grounds that are within the Board member's control, no payments are made to the Board member. The calculation is based on overall remuneration for the past financial year and, if necessary, on the probable overall remuneration for the current financial year.

Members of the Board of Management appointed for the first time after 1 January 2017 whose contracts are terminated by the Company without good cause have a contractual right to a severance payment. Such payments may not exceed the equivalent of two years' remuneration, and are restricted by the remaining term of the Board member's contract if this term is shorter. Annual remuneration is calculated on the basis of annual basic remuneration and variable remuneration paid out for the prior full financial year before the contract was terminated; remuneration in kind, other fringe benefits and contributions to occupational retirement schemes are not taken into account. Payments received by a Board member during a period of notice after termination of the appointment are offset against any severance payment. There will be no right to severance payments in the event of extraordinary termination of the Board member's contract by the Company for good cause.

As a matter of principle, the Company ensures that severance payments are related to performance achieved over the whole period of activity.

Amount of remuneration

As previously, the level of the target overall direct remuneration for the members of the Board of Management is set by the Supervisory Board, taking into account the responsibilities and performance of each member of the Board of Management, the performance of the full Board of Management and the financial situation, performance and future prospects of Munich Re. It takes into consideration whether the remuneration is standard practice and appropriate compared with other companies of the peer group (including DAX 30 companies). The target overall direct remuneration for the Chairman of the Board of Management is based on the median remuneration paid to the chairs of the boards of management of DAX 30 companies. In addition, the Supervisory Board takes into account the level of the salaries paid to the Board of Management in relation to the level of salaries paid to senior managers and to general staff members over time.

Pay ratios

In 2017, the ratio of the target overall direct remuneration of the Chairman of the Board of Management to the average target overall direct remuneration of all Company employees (excluding the Board of Management) was 37. The ratio of the average target overall direct remuneration of all members of the Board of Management to the average target overall direct remuneration of all employees (excluding the Board of Management) was 23.

External consultants

Munich Re did not use the services of external consultants to draft and implement the remuneration system of the Board of Management effective from 2018.

Concluding remarks of the Supervisory Board

In the Supervisory Board's view, the remuneration system of the Board of Management applying with effect from 2018 is appropriate, sustainable and transparent. The remuneration paid is linked to the Company's business strategy and results, and to the performance of Munich Re's shares, taking into particular consideration the interests of both the Company and its shareholders. Besides this, the new remuneration system brings about the transparency requested by shareholders and their representatives with regard to the targets and achievement of objectives, and takes account of the criticism expressed about the previous remuneration system. The Supervisory Board therefore calls upon all shareholders to approve the new remuneration system.

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

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

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

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

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

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

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

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

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