

# Remuneration system for the Board of Management

## 1. PROCEDURE FOR THE DEFINITION, REVIEW AND IMPLEMENTATION OF THE REMUNERATION SYSTEM

The Supervisory Board approves the remuneration system for the Board of Management. The Remuneration Committee of the Supervisory Board supports the full Supervisory Board and prepares proposed resolutions, which the Supervisory Board discusses in detail and approves. The Remuneration Committee is composed of two shareholder representatives, both of whom are independent, and one employee representative. External remuneration consultants are not used.

The Board of Management remuneration system approved by the Supervisory Board is submitted to the Annual General Meeting for approval. If the proposed remuneration system is not approved by the Annual General Meeting, a revised remuneration system will be submitted for approval at the latest at the next Annual General Meeting. On resubmission, all material changes and the extent to which the vote and comments of the shareholders have been taken into account will be explained. The resolution adopted at the Annual General Meeting and the remuneration system will be published without undue delay on the Company's website and made accessible free-of-charge for the period during which the system is in force, and in any event for a minimum of 10 years.

The remuneration system is reviewed by the Supervisory Board on a regular basis. The Remuneration Committee prepares the review, if necessary recommending changes, which the full Supervisory Board discusses and approves. The remuneration system is submitted to the Annual General Meeting again for approval if any material change is proposed, and in any event at least every four years.

The rules in the German Stock Corporation Act and the recommendations in the German Corporate Governance Code on handling conflicts of interest among Supervisory Board members are also complied with in the definition, implementation and review of the remuneration system. The report of the Supervisory Board to the Annual General Meeting must include any instances of conflict of interest and describe how they were handled. Should any member of the Supervisory Board or the Remuneration Committee have a conflict of interest, such member shall not take part in the discussion and vote.

If necessary in the interest of the long-term good of the Company, the Supervisory Board may in exceptional circumstances temporarily deviate from the defined remuneration system. This could be the case in the event of a material change in corporate strategy, in

order to create appropriate incentives, or if the Company's long-term viability and profitability could otherwise be impaired, e.g. in a serious financial or corporate crisis. Deviations are possible in both remuneration structure and amount and in individual remuneration components. If necessary – on the recommendation of the Remuneration Committee – the Supervisory Board decides whether exceptional circumstances pertain in the above context and what deviations can be approved. The Supervisory Board will document in a resolution why the deviation is necessary in the interest of the long-term good of the Company.

The remuneration system with no participation in the Company pension scheme applies to members of the Board of Management who join the Board from 1 January 2021 or who were already Board members prior to 2021 and have exercised the option granted to them to switch from the previous remuneration system with participation in the Company pension scheme to that with no participation in the Company pension scheme. For members of the Board of Management who did not exercise the above-mentioned option, there are some different components and rules, which are also described.

## **2. PRINCIPLES FOR THE STRUCTURE OF THE REMUNERATION SYSTEM**

It is important for the structure of the remuneration system to be straightforward and clear so that the shareholders, other stakeholders and the general public can understand the principles on which remuneration of Board of Management members is based.

All relevant corporate and supervisory requirements are observed, in particular the German Stock Corporation Act and Article 275 of Delegated Regulation (EU) 2015/35 relating to Solvency II, and the recommendations in the German Corporate Governance Code.

Munich Re's business strategy is geared to profitable growth and successful positioning among our competitors. With its strategically relevant performance indicators that can be influenced by the Board in its annual and multi-year bonuses, the Board remuneration system promotes achievement of the business strategy and the sustained, long-term appreciation in the Company's value. At the same time, in accordance with sound and effective risk management, members of the Board of Management are discouraged from taking excessive risks in an endeavour to achieve higher bonuses. The overall aim is to ensure that the remuneration system better aligns the interests of the shareholders with those of the Board members.

Another important aspect is the consistency of the Board of Management's remuneration system with that of other management to guarantee that all decision-makers pursue the same objectives.

### 3. COMPONENTS OF REMUNERATION

#### Remuneration system with no participation in Company pension scheme – Board members who join the Board from 1 January 2021 or who were already Board members prior to 2021 and have exercised their option to switch to this system

Relative share	Component	Performance criteria	Target corridor	Evaluation	Payment (form, time)	Further components		
Fixed remuneration	~ 49%	<b>Basic remuneration</b>	-	-	Cash remuneration, monthly	<b>Shareholding obligation (Share Ownership Guidelines)</b> <ul style="list-style-type: none"> <li>100% of annual gross basic remuneration</li> <li>During the period of service on the BoM</li> <li>5-year build-up phase or 2 years if service on the BoM commenced before 2019</li> <li>Obligation to provide proof</li> </ul>		
	~ 1%	<b>Regular fringe benefits/remuneration in kind</b>						
Variable remuneration (100% evaluation)	~ 15%	<b>Annual bonus (AB)</b>	<b>IFRS consolidated result</b>	<b>Scaling 0–100%/100–200%</b> 0% = T - (2*X) 100% = T 200% = T + X  T = Target in €m X = Deviation in €m (T and X determined annually)	Achievement of annual target	<b>Overall performance assessment for AB + MYB (bonus/malus aspects)</b>  Adjustment of target achievement by Supervisory Board, taking into account individual and collective management performance  > Loading/reduction of up to 10 pp based on <b>ESG criteria</b>	Cash remuneration, in the year after the one-year plan term	<b>Assessment of appropriateness of total remuneration</b> <ul style="list-style-type: none"> <li>in comparison with the market → DAX30 companies</li> <li>within the Company → upper management and staff overall (also over time)</li> </ul> <b>Malus/Clawback</b> → retention and compensation of variable remuneration possible  <b>Remuneration for seats held on other boards</b> → to be paid over to Company  <b>Severance payment cap</b> → two years' remuneration, no more than remaining term of the Board member's contract if that term is shorter
	~ 35% <i>(as of 2022: thereof ~28% TSR, ~7% ESG)</i>	<b>Multi-year bonus (MYB)</b>  Term: 4 years	<b>Total Shareholder Return (TSR) of Munich Re shares in comparison with a defined peer group (as of 2022: 80%)</b>  (Peer group: Allianz, AXA, Generali, Hannover Re, SCOR, Swiss Re, Zurich Insurance Group)  <b>New as of 2022: 20% ESG-Target(s)</b>	<b>Linear scaling 0–200%</b>  0% = lowest TSR in peer group  200% = highest TSR in peer group	Performance of Munich Re shares in comparison with peer group	> Loading/reduction of up to 10 pp based on <b>success and performance criteria</b> (including situation, performance and future prospects of the Company)	Cash remuneration, in the year after the four-year plan term	
	No subsequent adjustment of target values/comparative parameters for annual and multi-year bonus							
	<b>100%</b>	<b>Target overall remuneration</b> (total remuneration for 100% evaluation of the variable remuneration components)						
The defined <b>maximum remuneration</b> for the BoM function groups <b>Chair (€9.5m)</b> and <b>ordinary member (€7.0m)</b> limits the <b>overall remuneration (including irregular/event-related fringe benefits</b> , e.g. removal costs, compensation for bonuses forfeited at previous employers) allocable to a financial year.						<b>In the event of post-contractual non-competition agreement</b> → severance payments are taken into account in compensation for the period of competitive restriction		

Remuneration of Board of Management members comprises fixed and variable components, which together constitute the total remuneration. Each accounting for around 50%, the fixed and variable remuneration components produce a balanced target overall remuneration.

Fixed remuneration encompasses basic remuneration together with fringe benefits and remuneration in kind (including income tax on benefits in kind), which are granted on a regular or irregular basis and/or are event-related, and can therefore vary in amount from year to year. There may be minor variations in future in the proportion of fixed remuneration represented by basic remuneration and fringe benefits, due to differences and/or adjustments to market practice.

Variable remuneration comprises an annual component (annual bonus) with a financial target and a multi-year component (multi-year bonus) with a share price-based assessment basis. As of 1 January 2022, at least one ESG objective (based on

environmental, social or governance-related aspects) will additionally be included in the multi-year bonus. Both variable remuneration components are related to the future.

Within the evaluation of the overall performance, the Supervisory Board has the possibility for annual and multi-year bonus, to evaluate the implementation of sustainability aspects (ESG criteria) as well as the performance not covered by the objectives and to take into account exceptional developments.

The basis for the full and pro-rata calculation of the variable remuneration is the respective first year. The calculation is based on the period of active service in the first plan year (pro rata temporis).

Should a Board member leave the Board of Management prematurely during the period of the bonus plan, the provisions in their contract apply.

Additional appropriate payments customary in the market over and above the above-mentioned remuneration components may arise or be agreed in connection with the commencement or premature termination of service on the Board of Management and in the event of service at more than one place of work.

Board members must also undertake to invest part of their personal wealth in the Company's shares during their period of membership of the Board of Management.

**Remuneration system with participation in Company pension scheme – Board members who were already Board members prior to 2021 and opted to remain in the system with participation in the Company pension scheme**

Percentage of total	Component	Performance criteria	Target corridor	Evaluation	Payment (form, time)	Other features			
Fixed remuneration	~ 39%	<b>Basic remuneration</b>	<ul style="list-style-type: none"> <li>Function</li> <li>Responsibility</li> <li>Length of service on Board</li> </ul>	-	-	Cash remuneration, monthly	<b>Shareholding obligation (Share Ownership Guidelines)</b> <ul style="list-style-type: none"> <li>100% of annual gross basic remuneration</li> <li>During the period of service on the BoM</li> <li>5-year build-up phase or 2 years if service on the BoM commenced before 2019</li> <li>Obligation to provide proof</li> </ul>		
	~ 1%	<b>Regular fringe benefits/remuneration in kind</b>							
	~ 20%	Defined contribution company pension scheme <ul style="list-style-type: none"> <li>Occupational pension/reduced occupational pension on early retirement</li> <li>Disability pension</li> <li>Provision for surviving dependants</li> </ul>							
Variable remuneration (100% evaluation)	~ 12%	<b>Annual bonus (AB)</b>	<b>IFRS consolidated result</b>	<b>Scaling 0-100%/100-200%</b> 0% = T - (2*X) 100% = T 200% = T + X  T = Target in €m X = Deviation in €m (T and X determined annually)	Achievement of annual target	<b>Overall performance assessment for AB + MYB (bonus/malus aspects)</b>  Adjustment of target achievement by Supervisory Board, taking into account individual and collective management performance <ul style="list-style-type: none"> <li>Loading/reduction of up to 10 pp based on ESG criteria</li> <li>Loading/reduction of up to 10 pp based on success and performance criteria (including situation, performance and future prospects of the Company)</li> </ul>	Cash remuneration, in the year after the one-year plan term	<b>Assessment of appropriateness of total remuneration</b> <ul style="list-style-type: none"> <li>in comparison with the market → DAX30 companies</li> <li>within the Company → upper management and staff overall (also over time)</li> </ul>	
	~ 28% (as of 2022 thereof -22,4% TSR, -5,6% ESG)	<b>Multi-year bonus (MYB)</b> Term: 4 years	<b>Total shareholder return (TSR) of Munich Re shares in comparison with a defined peer group (as of 2022: 80%)</b>  (Peer group: Allianz, AXA, Generali, Hannover Re, SCOR, Swiss Re, Zurich Insurance Group)	<b>Linear scaling 0-200%</b> 0% = lowest TSR in peer group  200% = highest TSR in peer group	Performance of Munich Re shares in comparison with peer group		Cash remuneration, in the year after the four-year plan term		<b>Malus/Clawback</b> → retention and compensation of variable remuneration possible
			<b>New as of 2022: 20% ESG-Target(s)</b>	<b>Scaling 0 – 200% 100% = Target</b>	<b>Achievement of multi-year target(s)</b>				<b>Remuneration for seats held on other boards</b> → to be paid over to Company
	No subsequent adjustment of target amounts/comparison parameters for annual or multi-year bonus						<b>Severance pay cap</b> → two years' remuneration, no more than remaining term of Board member's contract if that term is shorter		
<b>100%</b>	<b>Target overall remuneration</b> (total remuneration for 100% evaluation of the variable remuneration components)						<b>In the event of post-contractual non-competition agreement</b> → severance payments taken into account in compensation for the period of competitive restriction		
The defined maximum remuneration for the BoM function groups Chair (€9.5m) and ordinary member (€7.0m) limits the overall remuneration (including irregular/event-related fringe benefits, e.g. removal costs, compensation for bonuses forfeited at previous employers) allocable to a financial year.									

Board members to whom this remuneration system applies have opted to retain their contractually agreed benefits relating to the employer-financed Company pension scheme. Since the cost of membership of the Company pension scheme is part of fixed remuneration, the relative proportion of total remuneration represented by the remuneration components is different for these Board members. The relative proportions for Board members with a performance-based vested pension are different. However, even for Board members participating in the Company pension scheme, the relationship between fixed and variable remuneration is balanced.

#### 4. DETERMINING TARGET OVERALL REMUNERATION

In accordance with a remuneration system submitted to the Annual General Meeting for approval, the Supervisory Board fixes the target overall remuneration for each individual Board member for the coming financial year (= total remuneration assuming assessment of all variable remuneration components at 100%). Horizontal and vertical benchmarking is first performed to assess the consistency of the remuneration with the market and within the Company.

##### Horizontal benchmarking

Remuneration data for DAX30 (in future possibly DAX40) companies derived from a study carried out annually are used to assess the market consistency of the total remuneration. In comparing remuneration, the Supervisory Board takes particular

account of market capitalisation. For the horizontal benchmarking, a peer group drawn from the same region appears more appropriate than an international peer group, in which the remuneration amounts and market practices would obviously vary considerably.

### **Vertical benchmarking**

To assess consistency within the Group, the Supervisory Board considers the relationship between the remuneration of the Board of Management and that of the Company's upper management and employees overall, including its development over time. Germany is used as a basis. "Upper management" means senior executive staff, and "employees overall" encompasses senior executive staff and non-pay-scale and pay-scale employees.

### **Definition of target overall remuneration**

The target overall remuneration of the Chair of the Board of Management is based on the target overall remuneration of the CEOs of all DAX30 (in future possibly DAX40) companies taking part in the study. The Supervisory Board derives the target overall remuneration of the other Board members from that of the Chair using defined remuneration ratios. The Supervisory Board then defines the actual target overall remuneration of the individual Board of Management members, taking into account their responsibilities and performance, the performance of the Board as a whole, the Company's situation, performance and prospects, and the development in the remuneration of the internal reference groups.

As required by Solvency II, the Supervisory Board ensures that the relationship between fixed and variable remuneration components is balanced, and such that the fixed component represents a sufficiently high proportion of the target overall remuneration and enables the Group to apply a flexible bonus policy, including the possibility of paying no variable remuneration at all. There should be no incentive for members of the Board of Management to incur inappropriately high risks in order to achieve higher bonuses. In defining the proportion of the target overall remuneration represented by the variable remuneration components, the Supervisory Board ensures that the share of the long-term variable remuneration exceeds that of the short-term variable remuneration.

## **5. UPPER LIMITS FOR VARIABLE REMUNERATION – MAXIMUM REMUNERATION**

The respective 0–200% target corridor defines the upper limit for variable remuneration paid to members of the Board of Management. Any higher achievement of objectives is capped at 200%, so that there can also be no loading as a result of the overall

performance evaluation. Similarly, there can be no reduction if achievement of objectives is 0%.

Total remuneration for every member of the Board of Management (= sum of all items of remuneration applicable for a year including fringe benefits granted on a regular, irregular and/or event-related basis, and any service costs) cannot exceed the maximum remuneration.

The amount of total remuneration that cannot be exceeded (i.e. maximum remuneration) is the sum of the individual remuneration components (variable remuneration based on assessment at 200%) plus any loading consistent with market practice. The maximum remuneration is defined in euros for each individual Board of Management member with reference to their Board function group, i.e. either “Chair” or “Ordinary member”.

The maximum remuneration refers to the total remuneration for the financial year to which the total remuneration is attributable, irrespective of the financial year in which individual items of remuneration are actually paid to the Board member. Should the maximum remuneration for a financial year be exceeded, the variable remuneration attributable to that financial year is diminished accordingly. If remuneration cannot be diminished in the full amount required, the Board member undertakes to repay the amount in excess of the maximum remuneration.

The maximum remuneration for the Chair of the Board of Management is €9.5m, that for an Ordinary member of the Board of Management €7m.

## **6. INDIVIDUAL REMUNERATION COMPONENTS**

### **Fixed remuneration**

#### **– Basic remuneration**

The basic remuneration is a fixed cash amount for the financial year, paid out as a monthly salary.

#### **– Fringe benefits/remuneration in kind**

These include provision of a company car, the cost of individual journeys between home and the first place of work, subsidies/premiums for insurances, any anniversary payments and costs relating to security. In addition, for new Board members, removal costs may be paid and payments in respect of bonuses forfeited at a previous employer may be made. The benefits in question are declared for tax individually for

each member of the Board of Management, with the Company bearing the income tax due. The benefits are valued at their cost.

### Variable remuneration – performance criteria and link to corporate strategy

The Supervisory Board defines the performance criteria for the coming year for all variable remuneration components; the criteria are linked to operational and sustainable, primarily, strategic objectives. It considers the strategic objectives in depth every year when assessing and defining the performance criteria.

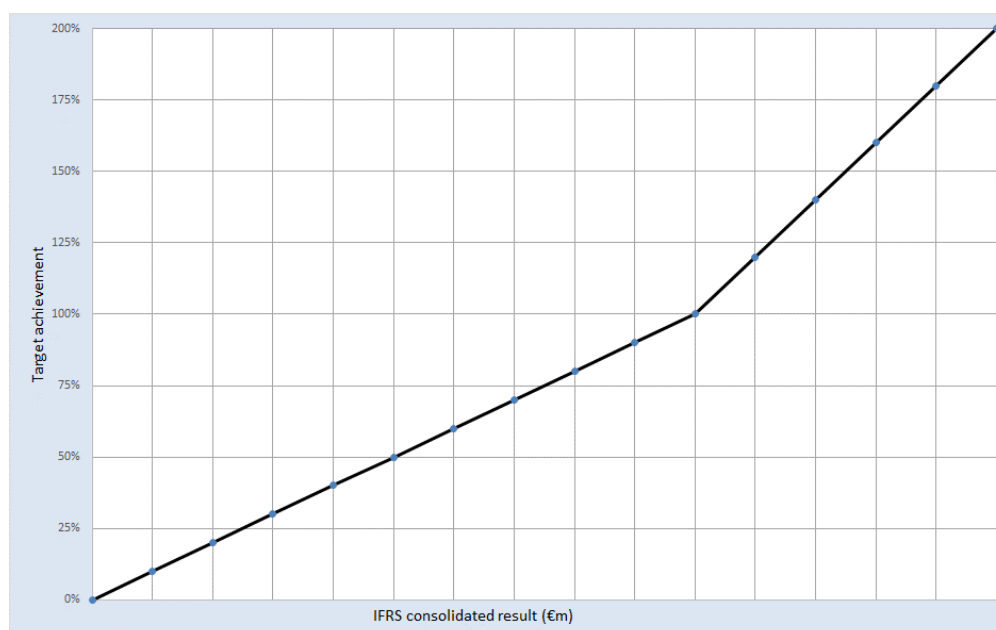
It also determines whether the performance criteria apply to the individual Board members or the Board of Management as a whole. Neither the amounts set nor benchmarking parameters may be adjusted retroactively.

#### – Annual bonus

The aim of the annual bonus is to achieve an ambitious IFRS consolidated result. As an established measure of results and a key figure for the capital markets, the IFRS consolidated result takes account of the significance of high and stable earnings power in the annual variable remuneration component. The IFRS consolidated result objective is based on the annual planning, which reflects the strategic ambition.

The amount payable for 100% achievement of objectives and those for 0% and 200% are published. The range between 0% and 100% is twice as long as that between 100% and 200%.

#### Scaling of annual bonus





This scaling is in line with the company's management approach, especially the conservative reserving methods.

After the assessment period has ended, the IFRS consolidated result achieved and the corresponding achievement of objectives are also published.

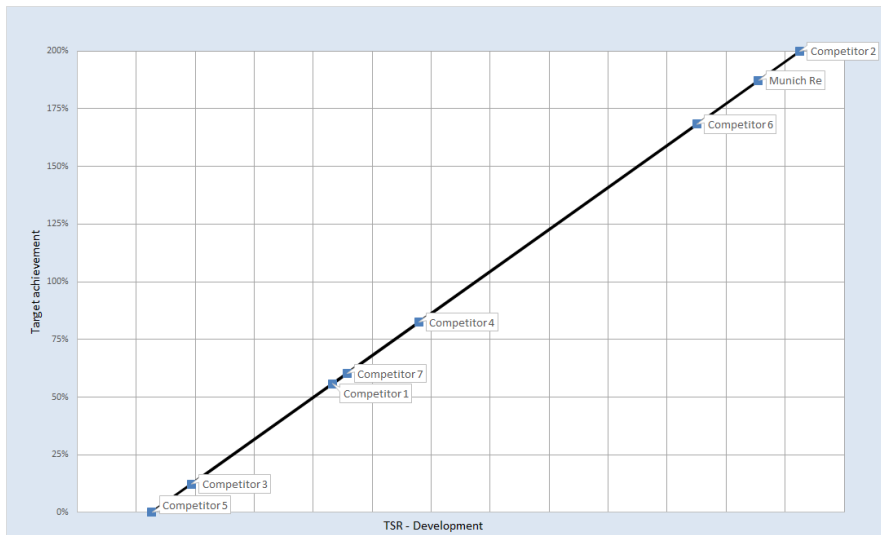
– **Multi-year bonus**

The purpose of the multi-year bonus is to provide an incentive for sustainable performance of the Munich Re share, measured as total shareholder return (TSR), compared to that of a defined peer group of competitors. The companies in the peer group were selected on the basis of comparable business activities and size. Furthermore, they must be listed on a stock exchange and subject to similar accounting standards to Munich Re, which is why the peer group only includes European competitors. The peer group currently comprises Allianz, AXA, Generali, Hannover Re, SCOR, Swiss Re and Zurich Insurance Group. The same peer group is used for the analysts' conference. The Supervisory Board may change the composition of the peer group at its due discretion if the continued inclusion of one of the said competitors – for whatever reason – would lead to dysfunctional results.

The definitive figures for measuring achievement of objectives are only available at the end of the plan term. The lowest TSR figure in the peer group comparison is taken as 0% on the linear scaling, and the highest figure as 200%. Since the peer group is very small – with just seven companies (main competitors) – and comprises both primary insurance and reinsurance companies, there are no further performance hurdles or thresholds.

Scaling of multi-year bonus (TSR-component)

(for illustration, as figures are only definitive at the end of the plan term)



After assessing the achievement of objectives, this will be communicated together with the comparable figures for the competitors. The multi-year bonus has a plan period of four years. The initial TSR is established at the start of the period and the final TSR at the end, and the two figures are then compared in order to determine achievement of the objective. The calculations are based on reporting-date figures.

Based on its long-term strategic orientation and economic management of the Group, Munich Re aims 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 variable remuneration for the Board of Management. From Munich Re's point of view, the relative TSR is well suited to aligning the interests of shareholders with those of the members of the Board of Management. The TSR over a period of several years reflects Munich Re's long-term performance not only in absolute terms, but also in relative terms. Indeed, above-average TSR development in comparison with the peer group is not conceivable in the long term without sustainably generating good results and creating value for our shareholders. Outperforming our competitors is in the interest of shareholders – even in a weak market environment.

As of 1.1.2022, the multi-year bonus will be based 80% on relative TSR development and 20% on one or more sustainability objectives.

#### – Evaluation of overall performance for annual and multi-year bonuses

As soon as the information on achievement of objectives is available, as part of the overall performance evaluation (as of 2022 for the multi-year bonus on the basis of

overall target achievement of both target categories) the Supervisory Board can take into consideration, for both the annual and the 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 increasing or reducing by up to 20 percentage points on the basis of bonus/malus factors defined by the Supervisory Board, which can relate to periods prior to the assessment period under consideration.

Loading or reductions of up to 10 percentage points can be applied for these ESG criteria:



Loading/reductions of up to 10 percentage points can be applied for these success and performance criteria:



Factors that influence business development but are not reflected in the IFRS consolidated result and TSR can also be taken into account. Therefore, in line with

the intention of keeping the remuneration system simple and transparent, no further financial assessment bases are needed.

To give the Supervisory Board as much flexibility as possible, the criteria for the evaluation of overall performance are not definitively laid down in detail in the remuneration system. At the end of the one-year and four-year assessment periods, the Supervisory Board – on the basis of the information prepared by the Remuneration Committee – appraises the aspects of the Board of Management members' performance not or insufficiently taken into account in the objectives and determines the amount of any loading or reduction. The remuneration report clearly states whether, for what precise reasons and in what amounts any loading or reductions were made.

On the basis of achievement of objectives and the evaluation of overall performance, the Supervisory Board determines the amount of the remuneration components to be awarded to each individual. The variable remuneration components are paid out in cash in accordance with the evaluation and a resolution by the Supervisory Board, for the annual bonus in the year following the end of the relevant one-year period, and for the multi-year bonus in the year following the end of the relevant four-year period. The Supervisory Board has the ability to react to exceptional circumstances beyond the appraisal periods, up to the date of payment.

The variable remuneration components granted to Board members are primarily based on the share price.

The complete transparency of the system makes the justification and degree of achievement of objectives clear, and the use of only a few parameters for the annual and multi-year bonuses means that the variable remuneration can be more easily understood.

## **7. 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. Sign-on/recruitment bonuses are paid only in exceptional cases, and on production of corresponding evidence, if a new member of the Board of Management forfeits a bonus payable by a previous employer. Compensation for forfeiting variable remuneration components payable by a previous employer is paid in several instalments and is tied to prerequisites for disbursement.

## **8. RETENTION (MALUS) AND REPAYMENT (CLAWBACK) OF VARIABLE REMUNERATION**

The remuneration system for the Board of Management provides for various possibilities for retaining variable remuneration components. For example, the Supervisory Board can load or reduce the achievement of objectives by up to 20 percentage points for both the annual and the multi-year bonuses, in order to recognise the individual or collective performance of the Board members. This enables it, for example, to diminish the variable remuneration in the event of negative contributions to performance.

The employment contracts of all members of the Board of Management also include a provision to the effect that all variable remuneration components not yet paid out are forfeited in the event of termination of the contract by the Company for good cause, or of relinquishment by the 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 entitle the Company to implement any instructions by the supervisory authorities to limit, cancel or not pay out variable remuneration for the member of the Board of Management.

The employment contracts of the members of the Board of Management also stipulate that the Board members must indemnify the company in the event of a breach of the duty of care of a prudent and conscientious manager (Section 93 AktG). The Supervisory Board has the possibility to demand such compensation in case of breaches of duty. Thus, bonus payments made can also be compensated in whole or in part.

If variable remuneration is paid out on the basis of incorrect data or calculations, it goes without saying that the bonus payments will be subsequently adjusted – upwards or downwards – by Supervisory Board resolution, and any variable remuneration paid in excess reimbursed by the Board members.

## **9. SHAREHOLDING OBLIGATION (SHARE OWNERSHIP GUIDELINES)**

From 2021, all members of the Board of Management are required to hold shares in the Company to the value of their current annual gross basic remuneration for the duration of their membership of the Board of Management. Board members who have joined the Board of Management since 2019 and future Board members have a five-year build-up phase in which to reach the required shareholding. Board members who joined the Board of Management before 2019 must submit proof that they hold the required number of shares within two years.

Once the build-up phase ends, appropriate documentation of compliance with the shareholding obligation must be provided annually. If the applicable shareholding for a period has already been reached and basic remuneration has not changed, the obligation is deemed fulfilled even if no longer met due to fluctuations in the share price. If remuneration is increased, the Board member concerned must, in the second period following the date on which the increased remuneration takes effect, provide proof that they hold shares in the Company to the value of 100% of their current annual gross basic remuneration.

## **10. STOCK OPTION PLANS**

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

## **11. BOARD MEMBERSHIPS AND REMUNERATION FOR BOARD MEMBERSHIPS**

The consent of the Supervisory Board is required for a Board member to accept a seat on a board outside the Company. Remuneration for such board memberships must be paid over to the Company. The only exception from this is remuneration for memberships explicitly classified by the Supervisory Board as private. This ensures that neither the time spent nor the remuneration paid will result in conflict with work for the Company.

## **12. CONTINUED PAYMENT OF REMUNERATION IN THE EVENT OF INCAPACITY TO WORK**

In the event of temporary incapacity to work due to illness or for other reasons 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 the Board member is 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).

## **13. LEGAL TRANSACTIONS RELATING TO REMUNERATION**

### **Term of Board member contracts**

Board members' contracts of employment apply for the period of their appointment and are extended for the period of re-appointment, if applicable. The initial period of appointment and contract term is generally three years, and five years on extension. Given that the pensionable age for members of the Board of Management is 67 years,

appointment may not be extended for longer than the end of a calendar year in which the member of the Board of Management turns 67 years of age.

### **Preconditions for termination of a contract**

Either the Company or a Board member may terminate the contract of employment prematurely for good cause without notice (Section 626 of the German Civil Code – BGB). Subject to giving notice pursuant to Section 622(2) BGB, the Company may also terminate the contract of employment prematurely if the Board member is 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 the cases of Board members who have joined the Board of Management since 2017 and future Board members, the Company also has the right to terminate the contract of employment prematurely, in the event of the premature termination of a Board member's appointment – whether it be by mutual consent, by revocation or through the resignation of the Board member –, with ordinary notice of termination pursuant to Section 622 BGB. Board members' contracts do not include any right of ordinary termination for Board members.

### **Payments on termination of contract**

On termination of a Board member's contract, the variable remuneration components still outstanding are evaluated and paid out on the basis of the objectives originally agreed on the normal date.

If the employment contract ends as a result of extraordinary termination by the Company for good cause, no payments are made to the Board member. Contractually agreed payments due following a change of control will not be made.

Members of the Board of Management who joined the Board before 2017 have no contractual entitlement to severance payments. In the event of premature termination of the employment contract by the Company without good cause, any payments to be made may not in total exceed the equivalent of two years' overall remuneration and may not represent remuneration for more than the residual term of the employment contract, if the residual term is shorter. The calculation is based on the total remuneration for the past financial year and, if necessary, on the expected total remuneration for the current financial year.

Board members who have joined the Board of Management since 2017 and future Board members whose contracts are terminated prematurely 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 in all cases limited to the residual term of the Board member's contract, if the residual term is shorter. The annual remuneration is calculated on the basis of the fixed annual remuneration and variable remuneration actually paid out for the last full financial year before termination of the contract; irregular, event-related fringe benefits and remuneration in kind are not taken into account. Payments received by a Board member during the period of notice after termination of their appointment are offset against any severance payment. Any income from self-employment or employment earned by the Board member during the period in respect of which they have received a severance payment is also offset against the severance payment.

As a matter of principle, the Company ensures that severance payments are related to performance over the Board member's whole period of service.

The Supervisory Board may conclude a post-contractual non-competition agreement with Board members, with compensation for the period of restriction, in which case any severance payment is offset against the compensation.

#### **14. COMPANY PENSION SCHEME**

Members of the Board of Management who joined the Board before 2021 and have not exercised their option to switch to the system with no participation in the Company pension scheme are still members of the employer-financed Company pension scheme.



Employer-financed company pension scheme	
Implementation	Defined-contribution pension commitment via insurance (Board members who joined the BoM before 2009 also have a benefits-based vested pension)
Pension contributions	Annual contribution ranging from 16.25% to 25.5 % of the target total direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives) during the term of the employment contract; contributions paid to an external pension insurer
Retirement age	60 or 62, 67 at the latest
Types of benefit	<ul style="list-style-type: none"> <li>- Occupational pension (lump-sum option)</li> <li>- Disability pension (80% of insured occupational pension)</li>   <li>- Surviving dependants' pension (60% of insured pension for spouses and registered civil partners, 20/40% for single/double orphans)</li> </ul>
Amount of benefit	Insurance benefit arising out of contributions paid, or vested pension
Temporary increase in benefits (individual Board members with special agreements)	<ul style="list-style-type: none"> <li>- For first 6 or 3 months after retirement, pension in the amount of previous monthly basic remuneration</li> <li>- For first 6 or 3 months after Board member's death, surviving dependants' benefit in the amount of previous monthly basic remuneration (death before retirement) or previous pension (death in retirement)</li> </ul>
Vested benefits on leaving the service of the Company	Vested old-age, disability and surviving dependants' pensions under the German Company Pension Act
Reduced occupational pension on early retirement/termination pension (Board members who joined the BoM before 2017)	<p>If contract terminated by Company without good cause, the Board member is aged over 50 and has more than 10 years' service at the Company, and their appointment to the Board has been extended at least once</p> <p>Amount: 30–60% of pensionable basic remuneration (= 25% of basic remuneration + variable remuneration assuming 100% evaluation) less 2% for every year short of 65th birthday</p>

For each calendar year (contribution year) during the term of the employment contract, the Company provides for the individual Board members a pension contribution ranging from 16.25% to 25.5% of the target overall direct remuneration (= basic remuneration + variable remuneration on the basis of 100% achievement of objectives). The pension contributions for the members of the Board of Management are paid to an external pension insurer. The insurance benefits that result from the contributions constitute the Company's pension commitment to the Board member.

Board members appointed before 2009 were transferred from a benefits-based scheme to the defined contribution plan. They kept their pension entitlement from the benefits-based scheme (fixed amount in euros) existing at the date of transfer, which was maintained as a vested pension. For their years of service from 2009, they receive an incremental pension benefit based on the defined contribution plan.

In addition, members of the Board of Management who joined the Company before 2019 are also members of the Munich Re pension scheme, which is also a defined contribution plan.

### Temporary increase in benefits at the beginning of retirement

Individual Board members have special agreements under which they receive a pension in the amount of their previous monthly basic remuneration for the first six or three months after their retirement or leaving date, if they are on that date entitled to an occupational pension, disability pension, or reduced occupational pension on early retirement.

## Occupational pension

Board members who joined the Board of Management before April 2012 are entitled to an occupational pension on retiring from active service with the Company after reaching the age of 60. Board members who joined the Board of Management from 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:

- Defined contribution plan: annuity based on the policy reserve or payment of the policy reserve as a lump sum
- Combination of defined benefit plan and defined contribution plan: 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:

- Defined contribution plan: 80% of the insured occupational pension up to the age of 59 or 61, with subsequent occupational pension
- Combination of defined benefit plans 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 who joined the Board of Management before 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 member's having given cause for this through a gross violation of their duties or having requested it. This applies where a Board member has already passed the age of 50, has been in the employment of the Company for more than ten years when the contract terminates, and has had their appointment to the Board of Management extended at least once.

Benefit:

- Defined contribution plan: annuity based on the policy reserve or payment of the policy reserve as a lump sum at the date the pension benefit is claimed
- Combination of defined benefit plan and defined contribution plan: entitlement of between 30% and 60% of pensionable basic remuneration (= 25% of basic remuneration + variable remuneration for 100 % overall evaluation), reduced by 2% for each year or part thereof short of the Board member's 65th birthday; the Company assumes payment of the difference between the monthly occupational pension and the monthly incremental pension from the external insurance.

Board members who joined the Board of Management from 2017 do not have any entitlement to a reduced occupational pension on early retirement.

## 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 three years previously.

Benefit:

- Defined contribution plan: annuity based on the policy reserve or payment of the policy reserve as a lump sum at the date the insured event occurs
- Combination of defined benefit plan and defined contribution plan: 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(5) of the Company Pension Act). This entitlement is paid out as an annuity or a lump sum.

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.

### **Provision for surviving dependants**

#### **– Temporary increase in benefits**

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 joined the Board of Management before 2006. In the case of Board members who joined the Board of Management from 2006 to 2018 inclusive, 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 of members of the Board of Management who joined the Board of Management up to 2018 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.

#### **– Usual benefits**

Surviving spouses and registered civil partners 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.