

# Combined Statement of Corporate Governance for the 2016 financial year pursuant to Section 289a and Section 315 (5) of the German Commercial Code (HGB)

As a joint-stock company listed on the stock exchange and as the parent company in accordance with Section 289a (1) of the German Commercial Code (HGB), Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Reinsurance Company) has published the following Statement on Corporate Governance pursuant to Section 289a of the Commercial Code, and the Statement on Corporate Governance for the Group pursuant to Section 315 (5) of the Commercial Code.

## Working procedures of the Board of Management

General information on the duties of the Board of Management of Munich Reinsurance Company is provided in the 2016 Group Annual Report (see page 14 f. in the Corporate Governance Report). Additional information on corporate governance is available on our website at [www.munichre.com/cg-en](http://www.munichre.com/cg-en).

The work of the Board of Management - in particular the allocation of responsibilities among the individual Board members, matters reserved for the full Board of Management, and the required majority for resolutions - is regulated by rules of procedure issued by the Supervisory Board. The full Board of Management decides on all matters for which the law, the Articles of Association or the rules of procedure require a decision by the Board of Management. In particular, it is responsible for matters requiring the approval of the Supervisory Board, for items which have to be submitted to the Annual General Meeting, for tasks which constitute management functions or are of exceptional importance, and for significant personnel issues.

Meetings of the Board of Management take place as required, but generally at least once a month, and are chaired by the Chairman of the Board of Management. The adoption of a resolution requires the majority of votes cast; in the event of a tie, the Chairman has the casting vote. The members of the Board of Management cooperate closely for the benefit of the Company, and inform each other about all important business transactions on an ongoing basis.

## Composition and working procedures of the Board of Management committees

Three committees ensure the efficiency of the Board of Management's operations: the Group Committee, the Reinsurance Committee and the Strategy Committee.

### Group Committee

The Group Committee (GC) comprises the Chairman of the Board of Management and at least one other member of the Board of Management - currently Nikolaus von Bomhard and Jörg Schneider. The Chairman of the Board of Management is also Chair of the Group Committee.

The Group Committee is the central management committee of the Group. It decides on fundamental issues of the strategic and financial management of the Group for all fields of business, and on the principles of general business policy and organisation within the Group. The Committee also makes decisions on all matters of fundamental importance relating to the divisions of its voting members. In addition, it acts as an Executive Committee in charge of dealing with important ongoing matters, in particular the approval of significant individual transactions.

### Reinsurance Committee

The Reinsurance Committee (RC) comprises Torsten Jeworrek, Giuseppina Albo, Ludger Arnoldussen, Thomas Blunck, Peter Röder, Joachim Wenning, and Doris Höpke (since 1 February 2017). A further member is the Chief Financial Officer for Reinsurance, Hermann Pohlchristoph. The Chair of the Committee is appointed by the Supervisory Board; this office is held by Torsten Jeworrek.

The Reinsurance Committee is the central management committee of the reinsurance field of business. It decides on all matters of fundamental importance for this field.

### Strategy Committee

The members of the Strategy Committee (StratC) are Nikolaus von Bomhard, Doris Höpke (until 1 February 2017), Torsten Jeworrek, Markus Rieß, Jörg Schneider, and the Head of Group Development. The Chairman of the Board of Management is also Chair of the Strategy Committee.

The Strategy Committee is the central management committee for fundamental strategic matters in the fields of business. It decides on all matters of strategic importance to those fields.

The following applies to all Board of Management committees: where decisions within the sphere of responsibility of a committee are issues reserved for the full Board of Management, the respective committee will prepare these matters for decision. Committee meetings are held both regularly and as required. Only members of the Board of Management have voting rights on these committees. Further details are regulated by the rules of procedure adopted by the full Board of Management for the respective committee.

## Subcommittees of the Board Committees

Both the Group Committee and the Reinsurance Committee have set up subcommittees. These comprise the Group Investment Committee (GC), the Group Risk Committee (GC), the Global Underwriting and Risk Committee (RC), and the Board Committee IT Investments (RC). The members of these committees also include other senior executives from Munich Reinsurance Company and the Group. Only members of the Board of Management have voting rights on these subcommittees.

The work of these subcommittees is governed by their own written rules of procedure. The Group Investment Committee is responsible for all significant issues affecting the Group's investments, and the fields of business. Both the Group Risk Committee and the Global Underwriting and Risk Committee deal with risk issues, albeit with different emphases. The role of the Board Committee IT Investments is to prioritise IT investments in the reinsurance field of business and in Group functions within the framework of the business strategy.

## Working procedures of the Supervisory Board

General information on the duties of the Supervisory Board of Munich Reinsurance Company and its working procedures can be found in the Corporate Governance Report. Articles 12 and 13 of the Articles of Association of Munich Reinsurance Company contain provisions governing the adoption of resolutions by the Supervisory Board. Beyond this, the Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and further modalities for the adoption of resolutions. The Audit Committee also has its own rules of procedure, which have been adopted by the Supervisory Board.

The Supervisory Board is quorate if all its members have been invited to the meeting or called upon to vote, and if ten members, including the Chairman, participate in the vote. Alternatively, it is quorate if fifteen members participate in the vote. If the Chairman of the Supervisory Board so determines, meetings of the Supervisory Board may be conducted either wholly or in part by means of telecommunications, but this is not the normal procedure. The Chairman of the Supervisory Board is authorised to make declarations on the Supervisory Board's behalf that are based on prior resolutions.

## Composition and working procedures of the Supervisory Board committees

Munich Reinsurance Company's Supervisory Board has set up five committees: the Standing Committee, the Personnel Committee, the Audit Committee, the Nomination Committee, and the Conference Committee. The full Supervisory Board is regularly informed about the work of the committees by their respective chairs. The committees adopt decisions by the majority of votes cast. In the Standing Committee, the Personnel Committee and the Audit Committee, the Chair has the casting vote in the event of a tie.

Further details on the work of the Supervisory Board committees in the financial year can be found in the report of the Supervisory Board on page 10 f. of the Group Annual Report 2016 of Munich Re, and on the website at [www.munichre.com/cg-en](http://www.munichre.com/cg-en).

The main responsibilities of the committees are as follows:

### Standing Committee

The Standing Committee prepares for meetings of the Supervisory Board, unless another committee is responsible for doing so. It decides on matters of Company business requiring the Supervisory Board's consent, unless the full Supervisory Board or another committee is responsible. The Committee makes minor editorial amendments to the Articles of Association, and decides on whether and when guests may attend Supervisory Board meetings. It also prepares the annual Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) for the Supervisory Board, and the Supervisory Board's report about the Company's corporate governance for publication in the Annual Report. Every year, it reviews the efficiency of the Supervisory Board's work and, where necessary, submits appropriate proposals to the full Supervisory Board. The Committee approves certain Company loan transactions, in particular with senior managers and Supervisory Board members or related parties, as well as other Company contracts with members of the Supervisory Board.

The members of the Standing Committee are Bernd Pischetsrieder (Chair), Gerd Häusler, Henning Kagermann, Marco Nörenberg and Andrés Ruiz Feger.

Up to the end of 2016, the members of the committee were as follows: Bernd Pischetsrieder (Chair), Henning Kagermann, Wolfgang Mayrhuber, Marco Nörenberg and Andrés Ruiz Feger.

### Personnel Committee

The Personnel Committee prepares the appointment of members of the Board of Management and, together with the Board of Management, addresses issues of long-term succession planning. It also prepares the Supervisory Board's resolution on the remuneration system for the Board of Management, including the total remuneration of the individual members of the Board of Management.

The Personnel Committee also represents the Company in matters concerning the members of the Board of Management, and is responsible for personnel matters involving members of the Board of Management unless these are issues that are the responsibility of the full Supervisory Board. It approves loan transactions between the Company and members of the Board of Management or related parties, as well as any material transactions between the Company or its affiliated companies and members of the Board of Management or related parties. It also decides on secondary occupations that members of the Board of Management may pursue, and seats they hold on the boards of other companies.

Members of the Personnel Committee are Bernd Pischetsrieder (Chair), Henning Kagermann and Angelika Wirtz.

Up to the end of 2016, the members of the committee were as follows: Bernd Pischetsrieder (Chair), Wolfgang Mayrhuber and Angelika Wirtz.

### Audit Committee

The Audit Committee prepares Supervisory Board resolutions on the adoption of the Company's annual financial statements and approval of the Group financial statements. It discusses the quarterly reports, and receives the audit reports and other reports and statements by the external auditor. It also discusses the essential components of the Solvency II reporting with the Board of Management.

The Committee monitors accounting processes and the effectiveness of the internal control system. Moreover, it examines the appropriateness and effectiveness of the risk management system, the effectiveness of the compliance system, and the internal audit system, including whistleblowing procedures. Furthermore, the Audit Committee is responsible for examining potential claims due to breach of duty by members of the Board of Management. In this respect, some of its tasks may be completed of its own accord, and some involve merely preparatory work carried out on behalf of or decision by the full Supervisory Board.

The Audit Committee also initiates the decision on the appointment of the external auditor, and makes proposals to the Supervisory Board in this regard. It also monitors the independence and quality of the auditing of the annual financial statements. The Audit Committee appoints the external auditor for the Company and consolidated financial statements, determines focal points of the audits, and agrees the auditor's fee; the same applies to the review of the Half-Year Financial Report. Beyond this, it handles the approval and monitoring of non-audit services. After in-depth deliberations by the Board of Management, the Audit Committee prepares the annual discussion of the risk strategy held before the Supervisory Board, and discusses any changes or deviations from the risk strategy with the Board of Management during the year.

In this connection, the Audit Committee hears reports not only from the Board of Management but also directly from the Group Chief Compliance Officer, the Group Chief Auditor, the Group Chief Risk Officer, the Head of the Actuarial Function, or from corporate counsel.

Its members are Henning Kagermann (Chair, independent financial expert), Ann-Kristin Achleitner, Christian Fuhrmann, Anne Horstmann and Bernd Pischetsrieder.

Up to the end of 2016 Annual General Meeting, the members of the Audit Committee were as follows: Henning Kagermann (Chair), Christian Fuhrmann, Anne Horstmann, Bernd Pischetsrieder and Anton van Rossum.

### Nomination Committee

Comprising only representatives of the shareholders, the Nomination Committee suggests suitable candidates to the Supervisory Board for the latter's election proposals to the Annual General Meeting. It has drawn up and adopted a list of criteria on which these proposals are to be based.

Its members are Bernd Pischetsrieder (Chair), Ann-Kristin Achleitner and Henning Kagermann.

### Conference Committee

The Conference Committee makes personnel proposals to the Supervisory Board if the requisite two-thirds majority is not achieved in the first vote when it comes to appointing or dismissing members of the Board of Management. The Committee's responsibilities remain unchanged under the Co-determination Agreement, and are now laid down in the Articles of Association and the Supervisory Board's rules of procedure.

Members of the Conference Committee are Bernd Pischetsrieder (Chair), Henning Kagermann, Marco Nörenberg and Angelika Wirtz.

### Declaration of Conformity with the German Corporate Governance Code, issued in November 2016 by the Board of Management and Supervisory Board of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München pursuant to Section 161 of the German Stock Corporation Act (AktG)

Since the last Declaration of Conformity was issued in November 2015, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München has fulfilled all the recommendations of the German Corporate Governance Code of 5 May 2015 (published on 12 June 2015) and will continue to do so in future.

### Other corporate governance practices

#### Munich Re Code of Conduct

The Munich Re Code of Conduct clearly states the Group's definition of legally impeccable behaviour based on ethical principles. It contains regulations that are binding on all employees and the management of Munich Reinsurance Company and the companies of Munich Re. On the basis of the Code of Conduct, all staff members undertake to comply with applicable laws and internal corporate regulations to prevent loss, damage or harm to the Group.

#### Group-wide reporting system

Munich Re has a Group-wide system for reporting contraventions of laws and regulations, and to monitor changes to legal and regulatory requirements or enquiries.

The system allows for ongoing documentation and rapid reporting up to the Board of Management.

#### **Whistleblowing portal and ombudsman**

At the instigation of the Board of Management, the compliance whistleblowing portal has been set up as another channel to complement the independent external ombudsman, and thus strengthen compliance within Munich Re. Staff members and third parties can use this portal to anonymously report suspected criminal behaviour such as bribery and corruption, contraventions of antitrust laws, insider trading rules and data protection laws, and other activities that may cause reputational damage.

Further information on these topics is available on our website at [www.munichre.com/en/compliance](http://www.munichre.com/en/compliance).

#### **United Nations Global Compact**

To make clear our understanding of important values inside and outside our Group, Munich Re joined the United Nations Global Compact in 2007. The ten principles of this declaration (covering human rights, labour standards, environmental protection and combating corruption) form the benchmark for our actions throughout the Group, and thus provide the fundamental framework for our corporate responsibility.

We report annually on the implementation of these principles in our Communication on Progress for the UN Global Compact.

#### **Principles for Responsible Investment**

In 2006, we became the first German company to sign the Principles for Responsible Investment. We implement the principles for sustainable investment through our asset manager MEAG, and we report annually on adherence to these principles.

#### **Principles for Sustainable Insurance**

The Principles for Sustainable Insurance – which Munich Re played an active role in formulating and which we signed in 2012 – serve as a guide for anchoring environmental, social and governance (ESG) aspects along the value-added chain in our core business.

Further information on these voluntary commitments is available on our website at [www.munichre.com/voluntarycommitments](http://www.munichre.com/voluntarycommitments).

#### **German Act on Equal Participation of Men and Women in Management Positions**

In implementing the Act on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions (FührposGleichberG), the Supervisory Board and Board of Management of Munich Reinsurance Company set the following targets and deadlines for achieving these targets:

After achieving the first target of having at least 20% of positions on the Board of Management filled by women by 31 December 2015, with effect from 1 January 2016 the Supervisory Board set a further target of having at least 20% of positions on the Board of Management filled by women by 31 December 2020.

From 21 July 2015, the Board of Management set a target quota of 3.9% for the proportion of women in positions at the first management level below the Board of Management, and a target of 20.9% for the second management level below the Board of Management, with each target to be achieved by 30 June 2016.

The target figure for the first management level below the Board of Management was achieved. As at 30 June 2016, 4.0% of managers at this level were women.

The figure for the second management level below the Board of Management was slightly below the target. As at 30 June 2016, 20.1% of managers at this level were women. The reasons for this lack of significant change lie primarily in organisational changes affecting management positions, and fluctuation remaining low within the short target period.

From 1 July 2016, the Board of Management set another target quota of 4.0% for the proportion of women in positions at the first management level below the Board of Management, and a target of 20.1% for the second management level below the Board of Management, with each target to be achieved by 31 December 2020.

The Supervisory Board and Board of Management of Munich Reinsurance Company have based the targets on the current proportions of women in management positions at the respective management levels. Where the Act on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions is applicable in Group companies, the target figures for the proportion of women is generally also based on the status quo at the beginning of the target period. As a general principle, the management levels are defined as follows: a manager at the first management level reports to a member of the Board of Management. A manager at the second management level reports to a manager at the first management level. For these purposes, only staff members with disciplinary responsibility are categorised as managers.

Moreover, in accordance with the Act, at least 30% of seats on the Supervisory Board of Munich Reinsurance Company must be filled by women, and at least 30% must be filled by men.

As at 31 December 2016, women occupied 40% of the seats on the Supervisory Board of Munich Reinsurance Company, and men occupied 60% of the seats. From 3 January 2017, the number of women holding seats on the Supervisory Board increased to 45%: four of these women were representatives of the shareholders, and five were employee representatives. The minimum quota requirement is thus met.