



Bernd Pischetsrieder
Chairman of the
Supervisory Board

Ladies and Gentlemen,

In the 2018 financial year, the Supervisory Board fulfilled all the tasks and duties incumbent upon it by law and under the Articles of Association and the rules of procedure. All members of the Supervisory Board and of the committees took part in over half of the respective meetings. The overall average attendance for all members of the Supervisory Board was 98% in the reporting year.

Details on the disclosure of individual members' attendance can be found at www.munichre.com/supervisory-board.

We monitored the Board of Management in its conduct of the business, and gave advice on all matters of importance for the Group. No inspection measures in accordance with Section 111(2) sentence 1 of the German Stock Corporation Act (AktG) were required at any time.

Collaboration between Supervisory Board and Board of Management

The Board of Management involved the Supervisory Board in all important business transactions and decisions of fundamental significance for the Group. In our meetings, we discussed all reports from the Board of Management at length. Cooperation with the Board of Management was characterised in every regard by targeted and responsible action aimed at promoting the successful development of Munich Re. The Board of Management satisfied its reporting obligations towards the Supervisory Board in all respects, both verbally and in writing.

Outside of Supervisory Board meetings, the Board of Management informed us promptly about important events in the Group, such as developments during the renewals of property-casualty reinsurance treaties, and the acquisition of the Internet of Things (IoT) technology firm relayr by our US subsidiary Hartford Steam Boiler. The shareholder representatives and the employee representatives met regularly with the Chairman of the Board of Management for separate discussions in preparation for the meetings.

Between meetings, I met regularly with the Chairman of the Board of Management, Joachim Wenning. We discussed individual questions of strategic orientation and risk management, as well as Munich Re's current business situation. Also between meetings, the Chairman of the Audit Committee, Henning Kagermann, remained in close contact with Jörg Schneider, the member of the Board of Management responsible for Group reporting.

Focal points of the meetings of the full Supervisory Board

There were six meetings of the Supervisory Board in the year under review. We regularly held in-depth discussions with the Board of Management about business performance and current topics, with special focus on strategic considerations of the Board of Management with respect to the individual fields of business. The Board of Management reported regularly on Munich Re's investments, addressing the development of the global economy and financial markets in detail, as well as their impact on the Group's assets and earnings. In addition, we advised the Board of Management on matters of strategic importance for the future of the Group, including its digitalisation and growth strategies, the investment strategy and the Transformation Programme. We also conferred on matters involving the full Board of Management in the latter's absence. Moreover, we dealt with the following topics at the individual meetings in 2018:

The meeting on 14 March focused among other things on the Company and Group financial statements for 2017, the combined management report, the separate non-financial (Group) statement and the motions for resolution by the 2018 Annual General Meeting. Furthermore, we conferred and took decisions regarding the extension of a Board of Management appointment, and established the details of the assessment basis and the evaluation method used in determining the multi-year variable remuneration component for the members of the Board of Management. We also

received updates on developments at ERGO and on the Group-wide compliance management system. Representatives of the German Federal Financial Supervisory Authority (BaFin) routinely attended this meeting as guests.

The meeting on 24 April dealt with matters involving the Board of Management, specifically the evaluation of the individual Board members' annual performance for 2017 and their multi-year performance for 2015–2017. We also dealt with a self-assessment of the members of the Supervisory Board concerning their knowledge of specific fields that are important for providing advice and supervision to Munich Re. Compared with the previous year, the Supervisory Board's good overall level of competence has increased further. We found that the Supervisory Board as a whole possesses the appropriate diversity of qualifications, knowledge and experience to provide advice and supervision to Munich Re in a professional manner, taking account of the company-specific characteristics.

On 25 April, directly prior to the Annual General Meeting, we heard the Board of Management's report on the present status of business performance in 2018. We also used the meeting to make last-minute preparations for the Annual General Meeting.

On 17 July, we resolved to appoint Christoph Jurecka to the Board of Management with effect from 1 January 2019 as successor to Jörg Schneider, who retired with effect from 31 December 2018. In addition, we adopted amendments to the allocation of responsibilities among the members of the Board of Management. We also resolved to commission voluntary external assurance of the separate non-financial (Group) statement for the 2018 financial year. We heard reports on current and strategic topics, as well as on the measures taken by Munich Re to guard against cyber risks. The Board of Management informed us about Munich Re's asset management and the planned establishment of a Chief Investment Officer.

The meeting on 18 October dealt with matters of corporate governance, including the adoption of amendments to the Rules of Procedure of the Audit Committee, the annual Declaration of Conformity with the German Corporate Governance Code, as well as the outcome of the annual efficiency review. Further topics included the submission of the 2017 Group-wide remuneration report in accordance with Solvency II and the German Remuneration Regulation for Insurance Companies (VersVergV), and the update of the Munich Re Group Compensation Policy pursuant to Solvency II. The Board of Management also briefed us on Munich Re's IoT business strategy.

On 13 December, we resolved to appoint Nicholas Gartside to the Board of Management, and to make the requisite changes to the allocation of responsibilities among the members of the Board of Management. Furthermore, we established the amount of remuneration for the Board of Management from 2019, as well as the assessment basis for variable remuneration for 2019. The new remuneration system introduced on 1 January 2018 and approved by the Annual General Meeting on 25 April 2018 has remained unchanged. In addition, we adopted amendments to the Guideline on fringe benefits, and discussed the Group's risk strategy against the backdrop of the yearly report on Munich Re's risk situation provided by the Group Chief Risk Officer. The Board of Management further provided a report on Group planning for the period from 2019 to 2021. The Board also presented us with the 2017/2018 Group human resources report and detailed the focal points of human resources work within the Group. Moreover, it provided information on the overall growth strategy for reinsurance and on reinsurance growth in the Asia Pacific and Africa Division.

In addition, two resolutions were adopted by written consent in lieu of a meeting. In preparation of the planned issuance of a subordinated bond, we appointed the external auditor for a review of the quarterly financial report for the third quarter of 2018. Furthermore, in view of the legal requirement to change auditors, we decided to follow the Audit Committee's recommendation and selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Munich, as the (Group) auditor from the 2020 financial year.

Work of the committees

There are six Supervisory Board committees. These are assigned certain matters for resolution, and also prepare the topics which are to be addressed and decided upon by the full Supervisory Board. At each Supervisory Board meeting, detailed information about the work of the committees was provided to the full Supervisory Board by the respective chairs of the committees.

Details of the tasks of the committees and their composition can be obtained on page 20 f. and from our website at www.munichre.com/supervisory-board.

The Personnel Committee held seven meetings in the period under review. It essentially prepared the resolutions on matters involving the Board of Management already mentioned in the report on the work of the full Supervisory Board, unless these fell under the remit of the Remuneration Committee established on 1 January 2018. As a first step, the Personnel Committee and the Remuneration Committee adopted a common set of rules to govern the cooperation between the two committees in evaluating the variable remuneration components for the members of the Board of Management. One of the key tasks of the Personnel Committee consisted in checking the fitness and propriety of two candidates to be appointed to the Board of Management, and of an existing member seeking reappointment. In addition, the Personnel Committee approved the assumption of seats on supervisory, advisory and similar boards by members of the Board of Management. It also dealt with Group-wide succession planning, especially with regard to Board-level appointments.

The Remuneration Committee met five times in 2018. Specifically, it was in charge of preparing resolutions on matters involving the Board of Management – as already mentioned above when reporting on the work of the full Supervisory Board – as far as these resolutions concerned the amount of remuneration, the establishment of the assessment basis for variable remuneration and the corresponding evaluation, as well as the sections of the Board members' contracts relating to remuneration. In addition, it dealt with the fringe benefits for members of the Board of Management disclosed in the 2017 Group Annual Report.

At its five meetings in 2018, the Standing Committee dealt with the preparation of the respective Supervisory Board meetings and, in particular, with topics of corporate governance. On the basis of a comprehensive questionnaire, the Standing Committee carried out a survey among the members of the Supervisory Board to assess the efficiency of the Supervisory Board's work in 2018. After analysing the survey, the Standing Committee discussed the findings and agreed on a small number of suggested improvements, which the Chairman of the Supervisory Board then presented to the full Supervisory Board. The Standing Committee determined that, overall, the reporting by the Board of Management and the work of the Supervisory Board were efficient and appropriate. Regular reports by the Chairman of the Board of Management covered changes to the shareholder structure and the status of the share buy-back programmes. In addition, the Standing Committee held various meetings where it dealt in great depth with the separate non-financial (Group) statement, which had to be produced for the first time for the 2017 financial year. On the basis of a resolution adopted by the full Supervisory Board, the Standing Committee commissioned EY to perform a limited assurance engagement on the separate non-financial (Group) statement for the 2018 financial year.

The Audit Committee held nine meetings in the period under review, and adopted one resolution by written consent in lieu of a meeting. Five of these meetings were attended by the external auditor. The Committee discussed the Company and Group financial statements, the combined management report, the auditor's reports and the Board of Management's proposal for the appropriation of the net retained profits for the 2017 financial year. The Committee also considered the quarterly statement for the first quarter of 2018, and conducted a detailed review of the 2018 Half-Year Financial Report and the Quarterly Report for the third quarter of 2018 in conjunction with the auditor. The Committee heard regular reports on the key Solvency II figures and discussed the

quarterly reporting to the Supervisory Authority in these meetings. Another key task of the Committee consisted in monitoring the Group's risk situation and risk management on an ongoing basis, and discussing its risk strategy: the Group Chief Risk Officer provided detailed verbal input at several meetings of the Committee in addition to the quarterly written reports submitted. The Audit Committee also dealt with the measures taken by Munich Re to guard against cyber attacks. The holder of the actuarial function presented the report of the actuarial function of Munich Re (Group) at two Committee meetings. Further issues discussed regularly were the internal control system and compliance topics. The Group Chief Auditor informed the members of the Committee in full about the outcome of the audits for 2017 and the audit planning for 2018. The Committee received regular updates on the current status of individual compliance issues and the progress of audits. In the absence of the Board of Management, the members of the Committee took the opportunity to confer amongst themselves or with the Group Chief Auditor, the Group Chief Compliance Officer, the Group Chief Risk Officer and the external auditor on a regular basis. In addition, the Audit Committee and the external auditor exchanged their views on selected topics on an ad-hoc basis between meetings. Furthermore, the Audit Committee closely reviewed and monitored the auditor's independence. It regularly called for reports on the auditor's new activities beyond the auditing of the annual financial statements and on the utilisation of the statutory limit for awarding such contracts. The auditor presented the Audit Committee with explanations of the key audit matters for the 2018 financial year. Likewise, the Audit Committee prepared a report for the full Supervisory Board on the appointment of the external auditor for the 2018 financial year, determined the main points of the audits, and set the auditor's fees. Following a resolution by the full Supervisory Board, the Chair of the Committee commissioned KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (KPMG), Munich, with the audit for the 2018 financial year, and also commissioned the auditor's review of the 2018 Half-Year Financial Report and the Quarterly Report for the third quarter of 2018.

At the same time, after intensive preparation, the Audit Committee issued an invitation to tender for audit services for the 2020 financial year and beyond. Following a thorough evaluation of the tenders, the Audit Committee submitted a reasoned recommendation to the Supervisory Board for two proposals, with a preference for EY.

The Nomination Committee held six meetings in the period under review. It dealt in great depth with long-term succession planning on the Supervisory Board. In preparation of the upcoming election of ten shareholder representatives at the Annual General Meeting on 30 April 2019, the Nomination Committee drew up requirement profiles and deliberated on the re-election of Supervisory Board members and suitable new candidates to be nominated for election to the Supervisory Board. The Committee also looked for suitable successors to the Chair of the Supervisory Board and the Chair of the Audit Committee. In selecting and evaluating potential candidates, the Committee took account of the objectives set by the Supervisory Board for the composition of the Board and the set of criteria established for this purpose.

There was again no need to convene the Conference Committee in the 2018 financial year.

Supervisory Board succession planning

In my role as Chairman of the Supervisory Board, I have been holding discussions with investors and proxy advisors since 2018 about the upcoming election of shareholder representatives to the Supervisory Board at the Annual General Meeting in 2019. Key topics discussed included the candidates' independence and time availability. All the candidates nominated for election to the Supervisory Board as shareholder representatives at the next Annual General Meeting have confirmed to the full Supervisory Board that they can spend sufficient time at Munich Re on their Supervisory Board work – and, if applicable, Committee work. Among the candidates standing for election for the first time, Karl-Heinz Streibich has a high level of IT and digitalisation expertise, while Nikolaus von Bomhard possesses wide-ranging industry knowledge and an in-depth understanding of Munich Re (Group).

The Chair of the Supervisory Board is a key position and should thus be filled with an individual of exceptional qualities and skills. In order to be able to communicate closely with the Chairman of the Board of Management and to provide oversight and advice to the Company's management, the Supervisory Board Chair needs to have a deep understanding of the core business and excellent leadership qualities. I fully agree with the Nomination Committee and the Supervisory Board that Nikolaus von Bomhard, due to his excellent expertise across the full value chain of our complex reinsurance and primary insurance business model, his universally acknowledged personal integrity for which he is held in high esteem, and his many years of experience as Chairman of the Board of Management of Munich Re, best meets the requirements of this position. In performing his role, he will promote good corporate governance especially in working together with the Chairman of the Board of Management.

Corporate governance and Declaration of Conformity

The Supervisory Board pays close attention to good corporate governance. Together with the Board of Management, we therefore published the mandatory annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in November 2018. The Company has complied and intends to continue to comply with all of the recommendations of the German Corporate Governance Code as amended on 7 February 2017. We confirmed our assessment that all 20 members of the Supervisory Board are to be regarded as independent and that they do not have any relevant conflicts of interests.

Details of this can be found in the corporate governance report on page 17 f.

Because of conflicting opinions regarding the validity of Ina Hosenfelder's election to the Supervisory Board, her attendance at the meeting on 17 July 2018 was put to the vote. Ina Hosenfelder did not take part in the vote as it affected her directly.

Munich Re again offered the members of the Supervisory Board specific training at an internal information event in 2018. Almost all members took the opportunity to learn more about selected topics related to reinsurance and risk management.

Changes on the Board of Management

Jörg Schneider retired from the Board of Management with effect from 31 December 2018. Christoph Jurecka was appointed his successor with effect from 1 January 2019, and assumed responsibility for the central divisions "Financial and Regulatory Reporting", "Group Controlling", "Integrated Risk Management", "Group Taxation" and "Investor and Rating Agency Relations".

On 13 December 2018, the Supervisory Board appointed Nicholas Gartside to the Board of Management. In his role as Chief Investment Officer, he will assume responsibility for all asset management activities at Munich Re (Group) as of 18 March 2019.

Changes on the Supervisory Board

Ron Sommer stepped down from the Supervisory Board with effect from the end of the Annual General Meeting in 2018. Kurt Bock was elected to the Supervisory Board for the remainder of Sommer's period of office by the Annual General Meeting on 25 April 2018.

Former members of the Supervisory Board

Dr. Wolfgang Röller passed away on 9 March 2018. He served as Deputy Chairman on Munich Re's Supervisory Board from 1994 to 1999. We have a great deal to thank him for, and mourn the loss of an exceptional man.

Wolfgang Mayrhuber passed away on 1 December 2018. He was a member of the Supervisory Board from 2002 to 2016, and served on the Personnel Committee and Standing Committee during his last years of office. We owe him a great debt of thanks for his open and constructive cooperation, and mourn the loss of a highly esteemed and outstanding personality.

Further information on the general topic of corporate governance is available in the joint report of the Board of Management and Supervisory Board on page 16 ff.

Company and Group financial statements for 2018, Solvency II reporting and non-financial information

Auditor KPMG duly audited the Company and Group financial statements and the combined management report as at 31 December 2018, and issued them with an unqualified auditor's opinion. The German Public Auditor responsible for the engagement is Dr. Frank Ellenbürger. He first took charge of the audit of the Company and Group financial statements for the financial year ending 31 December 2013.

The above-mentioned reports and the Board of Management's proposal for appropriation of the net retained profits were submitted directly to the members of the Supervisory Board. At its meeting on 5 February 2019, the Audit Committee had the opportunity to confer in detail about the preliminary year-end figures as at 31 December 2018. On 18 March 2019, it prepared the Supervisory Board's resolution on the adoption of the Company financial statements and the approval of the Group financial statements. To this end, the Audit Committee examined in advance the Company and Group financial statements, the combined management report and the Board of Management's proposal for appropriation of the net retained profits. It discussed these at length with the external auditor present at the meeting, and gave detailed consideration to the auditor's reports. The Audit Committee paid particular attention to the key audit matters described in the auditor's opinion, including audit activity. The Chair of the Audit Committee briefed the full Supervisory Board about the outcome of its consultations at the balance sheet meeting. In its March meeting, the Audit Committee discussed the preliminary key figures under Solvency II reporting – and the Solvency II ratio in particular – and reported on this in the plenary session.

The full Supervisory Board also reviewed the Company and Group financial statements and the combined management report, and the proposal of the Board of Management for appropriation of the net retained profits. The auditor's reports were available to all members of the Supervisory Board and were discussed in detail at the balance sheet meeting of the Supervisory Board on 19 March 2019 in the presence of the external auditor. The auditor reported on the scope, the main points, and the key results of the audit, going into particular detail on the key audit matters (please refer to the auditor's report on page 180 ff. for information) and the audit activity conducted. There were no reports of material weaknesses in the internal control system or the risk management system.

On the basis of this comprehensive examination, the Supervisory Board raised no objections concerning the outcome of the external audit. It approved the Company and Group financial statements on 19 March 2019. The financial statements were thus adopted. Having carefully weighed all relevant aspects, the Supervisory Board followed the proposal of the Board of Management for appropriation of the net retained profits.

The Standing Committee dealt with the separate non-financial (Group) statement for the 2018 financial year on 13 December 2018 and 19 March 2019. Also on 19 March 2019, the full Supervisory Board examined the (Group) statement, taking due consideration of the external auditor's findings, and approved it.

Words of thanks to the Board of Management and employees

The Supervisory Board wishes to thank all members of the Board of Management and staff worldwide. With their work and commitment, they have contributed to a successful result for Munich Re.

Munich, 19 March 2019

For the Supervisory Board



Bernd Pischetsrieder
Chairman