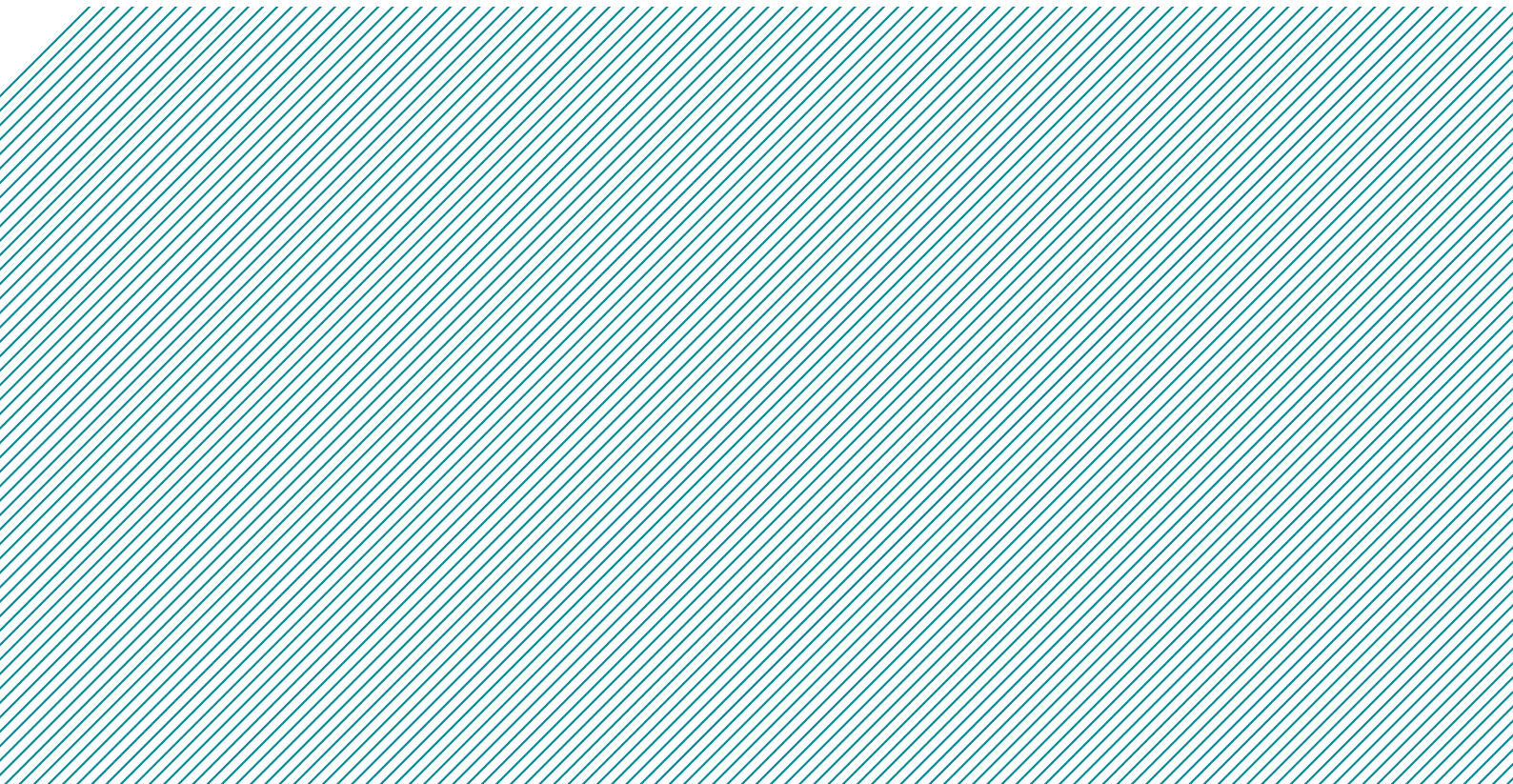


COMMUNICATION ON PROGRESS (COP) 2009

United Nations Global Compact



INTRODUCTION

Dear Reader,



Our success factors include not only efficient risk and capital management but also forward thinking and action. For us, adherence to high ethical and legal standards is a matter of principle. This is how we create lasting value, secure our financial stability and consolidate the trust our clients and investors put in us.

As an integrated insurance and reinsurance Group, we adopt an international and interdisciplinary approach with a view to finding solutions that are viable for the future. In this way, we make tomorrow's world insurable. We seek to create the right balance between economic, ecological and social requirements. For this reason, corporate responsibility is an integrated part of our Group strategy. Joining the United Nations Global Compact in 2007 was a significant step towards making our values visible inside and outside our Group. The ten Global Compact principles offer us important action guidelines for anchoring corporate responsibility even more firmly in the processes relating to our core business. We are here presenting for the first time our Communication on Progress (COP). In it, we concentrate on the key topics of environmental protection and measures for combating corruption.

Climate change is undoubtedly one of the biggest challenges facing mankind. Munich Re was one of the first companies to engage consistently in the fight against global warming. Numerous new projects have emerged based on many years of research work at Munich Re on the impact of climate change. For example, by launching the DII GmbH ("Desertec Industrial Initiative"), we have succeeded in bringing a major vision of a low-carbon energy supply a step closer to reality. Our cooperation with the London School of Economics bridges the gap between the worlds of business and science and contributes towards determining the economic costs of climate change. With our strategic investments in renewable energies, for example in solar projects in Germany, we are making an important contribution to promoting and proliferating such projects.

Also important to us are preventing and combating corruption and financial crime. We have introduced the concept of compliance management throughout the Group and created the position of an external ombudsman. The newly established Reputational Risk Committee devotes itself specifically and systematically to issues involving reputational risks that present themselves in everyday business.

The current economic crisis clearly shows what the impact can be if we are not aware of the business risks we face or if we blindly follow trends. At the same time, it also shows that nothing secures long-term success better than forward thinking and action. I cordially invite you to find out more about our activities on the following pages.

A handwritten signature in black ink, which appears to read 'N. von Bomhard'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Nikolaus von Bomhard
Chief Executive Officer

MANAGING RISKS IS OUR STRENGTH

Turning risk into value – that is what Munich Re has been doing successfully for around 130 years. Evaluating and assuming complex risks requires knowledge and skills in a variety of fields. This is where our integrated business model of insurance and reinsurance, with all its synergy effects and diversification benefits, proves its effectiveness. It enables us to take a holistic approach to risks and develop individual solutions that best fit our clients' risk situation. The main drivers of our action are our enterprise and the conviction that change always brings opportunities.

Creating value with an integrated business model

Munich Re stands for consistent risk management, financial stability and client proximity. This is how we create value for clients, shareholders and staff. In the financial year 2008, Munich Re achieved a profit of €1.5bn on premium income of around €38bn. It operates in all lines of insurance, with around 44,000 employees throughout the world.

With premium income of approximately €22bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier.

Our primary insurance operations are mainly concentrated in the ERGO Insurance Group. With a total premium income of over €17bn, ERGO is one of the largest insurance groups in Germany and Europe. Some 40 million clients in over 30 countries place their trust in the services and security it provides.

In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to over €180bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

Added value within the Group: Diversified risk – more security



RESPONSIBILITY DETERMINES OUR ACTIONS



In August 2007, Munich Re joined the United Nations' Global Compact initiative. The present report constitutes our first Communication on Progress (COP). In it, we describe our understanding of corporate responsibility within Munich Re and how we derive this responsibility from our business. This first report is focused on the topics of environmental protection and anti-corruption. We describe practical measures taken in the period from August 2007 to September 2009 and the successes we have achieved. In future, our COPs in this field will be integrated in our Corporate Responsibility Report.

Corporate responsibility – Part and parcel of our business and corporate culture

Insurance and corporate responsibility are very similar in nature. Both hold a promise for the future at their core. The concept of insurance is built on fulfilling obligations from insurance contracts on a sustainable basis. For us as a global risk carrier, a prospective, prudent and responsible approach is therefore self-evident.

Given its strong link with Munich Re's business strategy, the field of corporate responsibility was assigned to a separate unit at our Munich headquarters in 2008. This unit is incorporated in Group Development which, in turn, reports directly to Munich Re's CEO.

Corporate responsibility is part and parcel of our business and firmly anchored in our corporate culture:

- We are committed to developing new, needs-oriented products and solutions.
- We pursue an investment policy on the basis of sustainability criteria.
- We conduct an open dialogue with our stakeholders.
- We show responsibility towards employees, society and the environment.

A balance between economy, ecology and society

We are convinced that our business concept can only be successfully realised in the future through sustainable and responsible action. By this we understand the need to balance economic, ecological and social requirements. We actively involve our local and global stakeholders, above all our investors, clients and employees. This fundamental understanding is anchored in our guiding principles for corporate responsibility, which were adopted by the reinsurance group in 2006 and by ERGO in 2008.

Guiding principles for corporate responsibility

We create long-term corporate value, defined as a clear target return on our risk-based capital, in particular by

- integrating sustainability into our units' strategies;
- taking appropriate account of our stakeholders' interests;
- tapping business potential by means of ideas, products and services for dealing with risks;
- pursuing a sustainability-oriented investment policy;
- applying integrated risk management.

We help to protect our natural environment, in particular by

- commercially considering the consequences of climate and environmental change in our product policy and thus helping to increase awareness and influence behaviour;
- employing the tools of our core business to encourage preventive measures designed to avert harmful environmental impacts;
- using natural resources sparingly in our own business operations.

We recognise our social responsibility, in particular through

- the attainment of our business objectives by ethically and legally impeccable means;
- a socially sustainable HR policy;
- active participation in public debates about risks, based on our risk knowledge;
- systematic promotion of scientific research; support for selected cultural and social projects at our different business locations as part of our commitment to good corporate citizenship;
- the foundations set up by Munich Re.

Encouraging responsible conduct

Corporate governance is of central importance to us. We meet all the recommendations of the German Corporate Governance Code and, as an international group, comply with the corporate governance rules of the various markets in which we operate.

Another guiding principle of our actions is our Code of Conduct, which was implemented by the reinsurance group in 2006 and by MEAG in 2007. ERGO introduced its own code of conduct in 2008. Both codes specify our rules for legally impeccable conduct based on ethical principles and describe our understanding of values. They contain regulations that are binding on all employees, in particular for dealing with conflicts of interest. Furthermore, they outline a procedure for reporting legal infringements or contraventions, which allows the companies to respond promptly even to the suspicion of irregularities and to prevent any form of financial crime.

Managing risks reliably

Responsibility towards our stakeholders also means thinking ahead when managing our risks. Group-wide monitoring and control of risk management is the responsibility of the Board, supported by Integrated Risk Management (IRM), which is headed by the Chief Risk Officer. IRM is responsible for identifying, evaluating and controlling the risks on the asset and liability sides.

We pay particular attention to emerging risks – those that arise as a result of changes in, for example, economic, legal, socio-political, scientific and technological parameters. It is inevitably hard to assess the probability that such risks will produce losses. We follow a multidisciplinary approach, using the experience and expertise of, for example, geoscientists, engineers, biologists, specialist underwriters, lawyers, economists, sociologists and actuaries.

Responsible investment

Insurance companies are subject to strict security and return requirements. They have to ensure that their clients' money is invested both safely and profitably. Munich Re currently has some €180bn assets under management. We take the responsibility that comes with this very seriously. As early as 2002, we decided that our investments in shares, corporate bonds and bank bonds had to meet certain sustainability criteria. In 2005, this requirement was set out in our Group-wide General Investment Guidelines (GIG) and extended to include government bonds. Since then, the Group has placed at least 80% of the market value of these investments in assets included in sustainability indices such as the Dow Jones Sustainability Index. In addition, we have tightened our sustainability criteria for corporate and bank bonds since 2007.

On 27 April 2006, Munich Re became the first German company to sign the United Nations (UN) Principles for Responsible Investment (PRI), which we played a prominent role in helping to establish. With six principles and 35 recommendations for action, these were the first financial-market criteria established to enable institutional investors to take account of ecological and social aspects, together with topics of good corporate governance, in their investment decisions. Since the summer of 2009, Munich Re has also held a seat on the Board of the UN PRI Initiative.

Our shares – A sustainable investment

Investors are attaching increasing importance to sustainability issues and enquiring about how companies live up to their corporate responsibility. The various indices we are listed in prove that Munich Re shares are attractive for investors who follow a socially responsible investment (SRI) approach.

Sharing knowledge – For the sake of the environment

Our business is inextricably linked with ecological aspects. We are directly affected by environmental impacts, such as the growing number and intensity of weather-related natural catastrophes. A particular focus of our commitment is therefore on climate protection: Munich Re has long been contributing its specialist knowledge to numerous organisations and associations concerned with global climate change. We have been analysing aspects of climate change for over 35 years, with a view to counteracting its impact. This knowledge is incorporated into our investment policy, risk management and product development in insurance and reinsurance.

Munich Re – An attractive employer

Our staff provide the basis for our success with their competence, motivation and commitment. We are consequently committed to investing in their development and provide all staff with equal opportunities and top-quality working conditions. We strive to recruit the best staff we can and to fill them with enthusiasm for the global business of dealing with opportunities and risks. Munich Re has enjoyed a consistently low staff turnover rate for many years – proof that it is an attractive employer.

www.unpri.org

Selection of indices in which
Munich Re is listed:



www.munichre.com > [Sustainability portal](#) > [Employees](#)

In our international human resources work, our focus is on the individual. We are a successful and valued employer, not only adapting to the current demands of the labour market but also understanding how to meet the changing needs of our staff. Flexitime, special conditions for employees with children, the promotion of health-care, and social counselling services are just some of the factors that make Munich Re a respected employer. Equal treatment is axiomatic for our corporate culture.

This maxim is embedded in our Code of Conduct, one aspect of which is devoted explicitly to "non-discrimination". "We expect all employees to observe every individual's personal dignity, privacy and personality rights. We do not tolerate any discrimination, sexual harassment, other personal harassment or insulting behaviour. Neither do we tolerate any intimidation or violence, or the threat thereof."

Actively involving stakeholders

Munich Re has always placed great emphasis on an open dialogue with its stakeholders. These mainly include our insurance and reinsurance clients, capital market players, the media and general public, and our employees. In the capital markets, we share information with investors and analysts. At roadshows and in individual meetings, our senior management provide detailed answers to questions about Munich Re's strategy and business model. One of the objectives we have set ourselves is to actively participate in public debates about risks, drawing on our risk knowledge. We therefore actively collaborate with a wide variety of interest groups and non-governmental organisations and with experts from the world of politics, public administration, and science. Among other things, Munich Re supports the various activities of the German Insurance Association (GDV) in the field of climate protection, renewable energy and environmental impairment insurance.

Social commitment

To us, corporate responsibility also means assuming responsibility for the community in which we live and work. The focal points of our social commitment are the active promotion of science and the support of socially disadvantaged youngsters and people in need. In addition, we have made a name for ourselves as a patron of the arts and culture. The foundations we have set up play an important part, and they contribute substantially to sustainable development throughout the world.

Examples of our social commitment:

Initiatives and sponsoring activities

www.gmjo.at



Since 2002, Munich Re has been sponsoring the European Gustav Mahler Jugendorchester (Youth Orchestra) and supporting the young, highly talented orchestra musicians on their concert tours.

www.unigesellschaft.de
(German only)



The Munich University Society has been housed on Munich Re premises since its foundation in 1922, contributing towards the promotion of research and teaching.

www.dhmd.de



DKV has been collaborating with the German Hygiene Museum in Dresden for ten years and supports this all-round museum as an institutional sponsor.

Initiatives and sponsoring activities



Since September 2009, the ERGO Insurance Group has been the main sponsor of Focus magazine's schools competition "Schule macht Zukunft" (School shapes the future). The aim of this competition is to promote dialogue between school and industry and to motivate pupils to reflect on the future. The motto of the competition is "Thinking ahead – Taking responsibility".

www.junge-tonhalle.de
(German only)



Since 2009, the ERGO Insurance Group has been sponsoring the classical concert series "3-2-1 Ignition" organised by Düsseldorf Tonhalle as part of its musical offer for young people, "Junge Tonhalle". The concerts are a great opportunity for the young to experience a fresh take on classical music.

www.mathematik.de
(German only)



Since 2001, Munich Re (reinsurance) and the ERGO Insurance Group have been sponsoring the German internet portal "mathematik.de" set up by the German Mathematical Society with a view to awakening enthusiasm for mathematical problems among people with different levels of knowledge. It is a portal for maths buffs looking for information on the subject – be they hobby mathematicians, pupils, students, teachers, journalists, or scientists.

Foundations

www.munichrefoundation.org



Under the motto "From Knowledge to Action", the Munich Re Foundation has set itself the aim of helping people in risk situations and improving their lot, especially in developing countries.

www.schinzler-stiftung.org



The Schinzler Foundation is our platform for corporate volunteering. The aim of the foundation is to support staff worldwide in their voluntary work in various areas of society.

www.hamburg-mannheimer.de >
Wir über uns >
Die Stiftung Jugend & Zukunft
(German only)



The aim of the Hamburg-Mannheimer foundation "Jugend & Zukunft" (Youth & Future) is to improve prospects for deprived youngsters. Every year, the foundation awards its €100,000 national promotion prize, which always has a special motto.

www.victoria.de > Die Victoria >
Das Unternehmen > Engagement >
victorianer helfen
(German only)



The "victorianer helfen e. V." (Victorians help) foundation of Victoria Versicherung backs such causes as the provision of medical and psychological care for war-traumatised children from various nations.

THE TEN PRINCIPLES: OUR PROGRESS

	Systems	Actions	Achievements
Human rights Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	Code of Conduct General Investment Guidelines (80% of investments in shares and bonds should satisfy sustainability criteria)	January 2008: The Board of Management appoints a Reputational Risk Committee for reinsurance. The committee's core function is to advise the operative units on sensitive business decisions on the basis of ecological, social and corporate governance aspects. 2009: An internal purchasing guideline stipulates that Munich Re (reinsurance) must include a corporate responsibility clause in all new contracts with suppliers and service providers, obligating suppliers and providers to comply with the ten Global Compact principles.	The self-imposed objective of sustainable investments comprising 80% of the portfolio has regularly been surpassed Group-wide since 2005.
Labour standards Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.	Code of Conduct General Investment Guidelines	Reputational Risk Committee (see Principles 1 and 2) Purchasing guideline and corporate responsibility clause (see Principles 1 and 2) 2007 and 2008: DKV Seguros opens three service centres in Spain. All employees in the local call centres are physically disabled. DKV Seguros has been pursuing this idea since 1999, and ERGO Hestia in Poland adopted it in 2004. July 2008: Together with the Group Staff Council and representative body for severely disabled employees, ERGO concludes an agreement for the integration of the disabled for its German locations. The aim is improved integration and occupational training. March 2009: For its German locations, ERGO introduces the function of a central Equal Opportunities Officer who is also the contact person for career and family issues.	June 2009: ERGO is awarded the certificate for "audit berufund-familie®" (career and family audit) initiated by the Hertie Foundation. Key figures: Employees, page 18
Environment Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Code of Conduct General Investment Guidelines ISO 14001- and EMAS-certified environmental management systems Environmental policy in the reinsurance group and at Victoria, and D.A.S. UK	Reputational Risk Committee (see Principles 1 and 2) Purchasing guideline and corporate responsibility clause (see Principles 1 and 2) 2007: Adoption of the climate neutrality strategy for the reinsurance group, with the aim of achieving climate neutrality by 2009 (Group headquarters in Munich) and 2012 (worldwide). July 2009: Together with 11 other companies, Munich Re signs a Memorandum of Understanding establishing the Desertec Industrial Initiative. Introduction of new environment- and climate-related products > page 12	Confirmation of all ISO 14001 and EMAS certificates. Status in September 2009: Munich Re has an investment of around €130m in solar projects via welivit new energy GmbH. Key figures: Environment, page 17
Anti-corruption Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Conduct Guideline for gifts and invitations Anti-fraud management Compliance management, including the Compliance Manual	Reputational Risk Committee (see Principles 1 and 2) Purchasing guideline and corporate responsibility clause (see Principles 1 and 2) 2008: Anti-fraud management is extended at Group level by introducing the function of Fraud Prevention Officer. 2008: An external ombudsman is appointed to supplement the the anti-fraud management programme for reinsurance in Munich. 2009: ERGO introduces an e-learning module for senior executive staff. Components: anti-fraud, compliance, antitrust law and rules of conduct. 2009: In addition to the existing e-learning programmes on compliance, reinsurance is developing a separate e-learning module on the code of conduct. This module will also deal with the subject of anti-corruption and be available to all reinsurance employees in early 2010.	2008: In reinsurance, 88 compliance officers have thus far been appointed worldwide. Since June 2008, a total of 34 decentralised compliance officers have been appointed at ERGO. 2007/2008: Munich Re (Munich) employees were informed about the subjects of anti-fraud and anti-corruption in the course of presentations.

ENVIRONMENT

Exercising care, raising awareness and promoting environmentally friendly technologies

In our guiding principles for corporate responsibility, Munich Re undertakes to help protect our natural environment. In our product policy, for instance, we consider the consequences of climate and environmental change with a view to increasing awareness and influencing behaviour. We achieve this by, among other things, promoting preventive measures designed to avoid harmful environmental effects and by using natural resources sparingly in our own business operations.

Systematically protecting the environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Preserving our natural resources is a contribution to value-based management, as our economic success is inseparably linked with protecting people, the environment, and physical resources. That is why we supplement our work processes with an environmental management system.

In 1998, for instance, Victoria became the first European insurance company to be certified to the highest European standard, the EU Eco-Management and Audit Scheme (EMAS). Since then, within the ERGO Insurance Group, six locations of Victoria have been certified to EMAS and ISO 14001 and five locations of D.A.S. UK, which is responsible for business from the United Kingdom and Ireland, have been awarded the ISO 14001 certificate. ERGO is planning to expand its environmental management system and to operate it at seven locations in Germany by 2013. In future, it will strive for certification to ISO 14001 for the whole group, as this standard is internationally valid. Since January 2008, ERGO's headquarters in Düsseldorf have been running entirely on certified green electricity, whilst Victoria's regional management offices in Berlin switched fully to green electricity in July 2008. D.A.S. UK purchases 85% of its electricity from renewable sources.

Munich Re (reinsurance) has had an ISO 14001-certified environmental management system in place at its Munich head office since 2000. The Munich and Milan offices (reinsurance group) have also been using only green electricity since 2008.

In August 2009, the European Commission awarded MEAG the "green building" environmental label for its new "Westgate" office building in Cologne. This label is granted for energy-efficient, sustainable building design. Westgate is a superior example of how to reduce primary energy consumption in commercial buildings. At Westgate, MEAG uses a high proportion of energy from renewable sources and groundwater from wells on the premises. For MEAG, this is the second green building certificate it has been awarded in Cologne. The first one was granted to its Cologne Oval Offices on Gustav-Heinemann-Ufer in autumn 2008.

For the Munich Re subsidiary Munich Re America, the Facilities Environmental Strategy Statement provides the basis for gearing all its business activities and corporate values to sustainability criteria. Since 2007, Munich Re America has taken various measures to significantly reduce the company's energy and power consumption. Tube monitors were replaced by more efficient flat screens. Special movement detectors switch off lights and monitors in offices that are not occupied.

Corporate Climate Centre – Pooling knowledge

Munich Re is one of the pioneers of climate research. As far back as 1974, it set up what later became the Geo Risks Research Centre of Competence. All aspects of climate change and adaptation have been concentrated in the Corporate Climate Centre (CCC) since 2008. The CCC is a network of staff members from all areas within the Group affected by climate change. They advise underwriters and clients on the development of future-oriented products. To keep Munich Re's internal expertise up to date, the experts in the CCC play an active role in a global network of scientists, associations and organisations in the political arena and are involved in numerous research and development projects. Munich Re's extensive knowledge in the field of Geo Risks Research has also been combined in the production and publication of a DVD, the Globe of Natural Hazards. This tool is important for identifying complex risks from natural hazards and is intended to support clients and society in general in the evaluation of these risks.

Achieving climate neutrality

Our Group-wide activities are focused on reducing our greenhouse gas emissions. That is one of the reasons why we adopted a carbon-neutrality strategy for reinsurance in 2007. ERGO is also mapping out a strategy geared to primary insurance in Germany.

Munich Re (reinsurance) aims to make its activities at its Munich location climate-neutral by 2009, and the entire reinsurance group will follow suit by 2012. To this end, we are pursuing a fourfold strategy:

1. Increasing our energy efficiency: Reduction of CO₂ emissions by 10% per employee by 2012.
2. Purchasing green electricity rather than a conventional energy mix.
3. Investing in renewable energy projects: Compensation for carbon emissions and achievement of carbon credits.
4. Compensating for inevitable emissions through the purchase and/or retirement of emission credits.

Launching initiatives – Advancing partnerships

Our work is dedicated to ensuring that risks continue to remain calculable, insurable and manageable. With our knowledge of risk, we aim to help heighten the awareness of politicians and the general public regarding climate change and thus initiate necessary measures to mitigate its consequences. In the period under review, we launched the following specific initiatives and partnerships, among others:

DII GmbH ("Desertec Industrial Initiative")

Initiated and led by Munich Re, the Desertec Industrial Initiative promotes the vision of a low-carbon electricity supply and aims to contribute towards sustainable energy production. On 13 July 2009, twelve international companies laid the foundations for this initiative by signing a Memorandum of Understanding at Munich Re's offices. The declared aim of the initiative is to analyse and develop a technical, economic, political, social and ecological framework for carbon-free power generation in the deserts of North Africa and the Middle East. Its target: To produce around 15% of Europe's electricity needs and a substantial portion of the power needs of the producer countries by 2050.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

www.desertec.org

www.cccep.ac.uk

London School of Economics

Since October 2008, Munich Re has been collaborating with the renowned London School of Economics and Political Science (LSE). We are supporting a five-year project launched by the Centre for Climate Change Economics and Policy (CCCEP) with the purpose of analysing the opportunities and risks that climate change brings for the insurance industry at the interface of climate research and economics. The analyses focus particularly on the quantification of the impacts on the insurance industry, the expansion of low-carbon and renewable technologies for power generation, and the opportunities and effects of emissions trading systems. The results of the research are presented regularly to clients, representatives from politics and industry, and the public. The first symposium on the subject of climate modelling was held in London at the end of July 2009.

www.climate-insurance.org

Munich Climate Insurance Initiative (MCII)

Munich Re is the initiator of the Munich Climate Insurance Initiative (MCII) launched in 2005, and it has been the sponsor of the MCII office on the United Nations University campus in Bonn since 2008. The MCII is made up of insurers, scientists, and non-governmental organisations. This disparate group is united in the goal of formulating and putting in place insurance-related solutions for developing countries without functioning insurance markets in order to help combat the rising losses in these areas. MCII acts as an official advisor at the post-Kyoto negotiations. In December 2008, the proposal for drafting a risk management module to promote adaptation to climate change was presented to the plenary session of delegates at the World Climate Conference in Poznań, Poland. MCII will also attend the climate change conference in Copenhagen, Denmark in December 2009.

www.globalquakemodel.org

Global Earthquake Model

In the last decade, over half a million people died as a result of earthquakes and tsunamis, mainly in developing countries. So far there has been no model that depicts earthquake exposure globally and uniformly. The Global Earthquake Model (GEM) incorporates regions which previous approaches virtually ignored or failed to observe in sufficient detail. The model was initiated in 2007 as a public-private partnership launched by the Global Science Forum of the OECD as a five-year initiative and combines the know-how of hundreds of well-known earthquake experts from around the world. Munich Re is a founding member and one of the leading private sponsors. It contributes its extensive specialist knowledge, provides a financial perspective, and ensures practical relevance. The GEM offers an independent standard for calculating the earthquake risk, introducing prevention measures and improving insurability, particularly in new markets.

A selection of our memberships in the area of environment and climate change



THE °CLIMATE GROUP

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

www.munichre.com > *Topics & Solutions* > *Renewables*

Promoting renewable energy

Insurers can promote climate-friendly action by designing innovative coverage concepts for renewable forms of energy. We quantify risks and calculate commensurate premiums, thus providing decision-makers with arguments for effective preventive action. An insurance industry pioneer in the area of climate change and renewable energy, Munich Re supports the development of new energy technologies and the aim of reducing carbon emissions worldwide. We create the necessary conditions through professional risk management and the competence to devise risk transfer solutions from which the market players and the environment will benefit. In the financial year 2008, for instance, ERGO nearly tripled its portfolio of specialty insurances for photovoltaic systems.

Munich Re itself is significantly invested in renewable energy. The starting point for our activities here is the welivit new energy GmbH, a subsidiary of KarstadtQuelle Versicherungen, which has specialised in developing and implementing projects in the renewable energy segment. At present, it is concentrating on solar projects in Germany, but it has also initiated first ventures in Italy and Spain. Munich Re currently has an investment of around €130m in solar projects via welivit new energy GmbH.

A selection of our environment- and climate-related products

Unit-linked life insurance and sustainable investment

The life insurers of the ERGO Insurance Group offer their customers the opportunity to purchase products for old-age provision that invest in verifiably environmental and socially responsible companies.

Special motor insurance rates for environmentally friendly cars

The ERGO Insurance Group's motor insurers introduced special rates for low-pollution vehicles in January 2009. These policies are up to 10% cheaper than conventional motor policies. ERGO is therefore already promoting the use of vehicles that comply with the strict European requirements of the 2012 emission standard.

Environmental components in insurance for household and plate glass insurance

In 2008, Victoria Versicherung introduced product amendments relevant to the environment. If a loss occurs and a new household appliance needs to be purchased, the insurer covers the added cost for acquiring an environmentally friendly replacement. In plate glass insurance, Victoria covers the cost of replacing damaged single-glazing glass with double-glazed insulating glass.

Free severe-weather warnings via text messaging

Since the beginning of 2009, Victoria Versicherung has been offering a free severe weather-warning service via text messaging in cooperation with the German Weather Service. Registered users are informed immediately via a text message if bad weather is imminent. The warnings cover extreme snowfall, black ice, gale-force winds, heavy rainfall, and severe thunderstorms. Subscribers are thus given the opportunity to take precautions in advance and to prevent losses.

Sustainable funds: MEAG KlimaStrategie, MEAG Nachhaltigkeit and MEAG FairReturn

The investment strategy of the MEAG KlimaStrategie (climate strategy) fund is geared to systematically investing in companies that contribute to a mitigation of climate change and benefit from climate change adaptation. The fund offers international, widely diversified investments to investors wishing to take advantage of the growth trend in the area of climate protection.

The retail fund MEAG Nachhaltigkeit (sustainability fund) invests primarily in well-established companies across the world which contribute to responsible economic growth. The fund's managers select companies on the basis of their environmentally friendly and social behaviour as well as their financial success. In addition to leading equities, they also systematically invest in innovative niche providers. Companies involved in the tobacco, alcoholic beverages, armament and weapons industries are excluded.

In June 2009, MEAG also launched the MEAG FairReturn an investment fund designed predominantly for foundations. The MEAG FairReturn is a balanced fund that invests largely in Europe and is managed on the basis of sustainability criteria. Its goal is to achieve a positive performance geared to the capital markets and to generate predictable ordinary income.

Microinsurance for flood areas	Munich Re has developed a microinsurance product in collaboration with an Indonesian insurance company and the Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ). Since May 2009, this product has enabled the inhabitants of Jakarta to insure themselves against economic losses from floods and the social risks associated with them.
Kyoto Multi Risk Policy	The Clean Development Mechanism (CDM), which was approved as part of emissions trading in the Kyoto Protocol in 1997, was established in order to involve developing and emerging countries in the global climate protection endeavours. The Kyoto Multi Risk Policy was created by Munich Re (reinsurance) specifically for this purpose. The new, customised cover combines elements from traditional property covers such as fire, contractors' all risks, erection all risks, credit and bond insurance and the insurance of political risks with the coverage of certified emission reductions (or carbon credits).
Performance guarantees for photovoltaic modules	In June 2009, in cooperation with an industrial insurance broker and a photovoltaic producer, Munich Re (reinsurance) developed a new insurance solution to cover performance guarantees for photovoltaic modules. The product provides manufacturers with necessary liquidity in the event of a loss.
Insurance for wind power plants	Since 2009, Munich Re (reinsurance) has offered windfarm operators an insurance solution that compensates them for reduced earnings owing to lack of wind. Munich Re's innovative coverage concepts give operators, investors and financial backers greater certainty in their financial planning.
Productivity risk insurance for geothermal projects	In early 2009, a new credit programme for the expansion of geothermal power in Germany was established by Munich Re (reinsurance) together with the Kreditanstalt für Wiederaufbau (KfW) and the German Federal Ministry for the Environment. The three parties are making available a sum of €60m for the financing of deep geothermal wells. The programme is designed in particular to minimise the productivity risk of the projects.

ANTI-CORRUPTION

Taking preventive measures and ensuring legally correct behaviour

The risk of falling victim to fraud increases with a company's size and the complexity of its organisation, processes, and products. The financial loss for a company may be considerable, and the consequences for its reputation devastating. Although total protection against crime is not possible, much can be done to reduce the risk. This includes effective anti-fraud management, which each company in the Munich Re Group has in place. A corresponding directive sets out the specific duties and responsibilities that play an important part in preventing and combating fraud. The codes of conduct implemented by the reinsurance group in 2006, MEAG in 2007 and ERGO in 2008 clearly state our views on legally impeccable behaviour based on ethical principles. The codes include anti-fraud and compliance rules along with instructions on how to effectively prevent, detect and react to fraudulent activities.

Systematically expanding compliance management

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Munich Re has clear objectives and values. These include zero tolerance towards corruption and other forms of financial crime. Compliance requires that a company has the necessary organisational and control measures in place – including appropriate information and documentation systems – to prevent violations of laws and regulations. Munich Re therefore extended its anti-fraud management by appointing a Fraud Prevention Officer at Group level in January 2008. The Fraud Prevention Officer, Compliance Officer and Internal Audit provide each other with information on all issues relevant to compliance and fraud. The Fraud Prevention Officer is responsible for investigations of fraud cases and their coordination.

The compliance reporting system operated by Munich Re (reinsurance) forms the basis for the Compliance Officer's reporting to the Board of Management and the Supervisory Board. It encompasses both regular and ad-hoc reporting requirements. In 2008, a total of 88 compliance officers worldwide were appointed for the individual central divisions, divisional units, and business units within the international organisation. This network facilitates the requisite exchange of information and monitoring of compliance-related duties. The other Munich Re companies, e.g. MEAG, have introduced similar regulations. ERGO implemented anti-fraud management and introduced a compliance manual similar to that of Munich Re in 2008. Since June 2008, a total of 34 decentralised compliance officers have been appointed at ERGO, 17 in Germany and 17 at the major international locations. At the other international companies, responsibility for compliance reporting lies with the respective managerial staff. ERGO introduced an e-learning module for senior executive staff in 2009. It covers such topics as anti-fraud, compliance, antitrust law, and rules of conduct.

Ombudsman – An additional early-warning system

The codes of conduct of Munich Re (reinsurance), MEAG, and ERGO stipulate that employees who gain knowledge of a significant violation of the law or of the codes' rules must inform Internal Audit or the Compliance Officer. The aim is to promptly identify misconduct and avoid high consequential costs and reputational damage for Munich Re. To additionally strengthen the compliance system, an independent external ombudsman was appointed at the Munich site in January 2008. Employees thus have an additional option for reporting legal violations in confidence and, if necessary, anonymously. The ombudsman thus supports not only the detection of financial crime, but also its prevention. The ombudsman's mandate has been expanded in stages to the overall reinsurance group (May 2009) and MEAG (October 2009).

Targeted management of reputational risks

A company's reputation is one of its main success factors. This is especially true in the insurance and reinsurance industry. In 2008, the Board of Management classified reputational risks as being among the biggest risks for Munich Re. Against this background, the Board set up the Reputational Risk Committee (RRC) for the reinsurance group. The RRC devotes itself specifically and systematically to issues involving reputational risks that present themselves in everyday business. Its core function is to advise the operative units on sensitive business decisions (in underwriting and investment) and regularly involves considering the "ethical legitimacy" of a transaction. The Committee is made up of experts from the individual units and is headed by the Compliance Officer. When urgent action is required, it aims to provide the underwriters or operative units with a clear recommendation for action within 48 hours of receiving the enquiry.

Keeping employees informed

Our employees are regularly informed in presentations about the topics of anti-corruption and fraud. In October 2007, for instance, a representative of the Munich Public Prosecutors' Office held a talk about criminal offences, corruption indicators and prevention strategies. A presentation about the danger of corruption was held by the ombudsman and external attorneys in June 2008. In addition to these events designed to sensitise staff to the subject, we provide extensive information on our intranet. We are currently developing an e-learning module on the code of conduct for the reinsurance group. It will be available to staff in early 2010. The module will supplement the learning programmes already existing and will deal with the issues of anti-corruption, gifts and invitations, and conflicts of interest. ERGO introduced an e-learning module for senior executive staff in 2009. It covers such topics as anti-fraud, compliance, antitrust law, and rules of conduct.

KEY FIGURES

Key economic figures for Munich Re

Group	Unit	2008	2007 ¹	2006 ¹
Gross premiums written	€bn	37.8	37.3	37.4
Operating result	€m	3,262	5,057	5,477
Taxes on income	€m	1,373	801	1,648
Consolidated result	€m	1,528	3,923	3,519
Attributable to minority interests	€m	25	83	94
Investments	€bn	175.0	176.2	176.9
Return on equity	%	6.7	15.3	14.1
Equity	€bn	21.3	25.4	26.3
Valuation reserves not recognised in the balance sheet ²	€bn	2.3	0.6	1.9
Net technical provisions	€bn	157.2	152.4	153.9
Workforce as at 31 December		44,209	38,634	37,210

¹ Adjusted pursuant to IAS 8.

² Including those apportionable to minority interests and policyholders.

Reinsurance ¹	Unit	2008	2007 ²	2006 ²
Gross premiums written	€bn	21.8	21.5	22.2
Investments	€bn	77.9	81.9	85.0
Net technical provisions	€bn	55.6	55.4	59.6
Property-casualty reserve ratios	%	270.5	272.0	280.9
Large and very large losses (gross) ³	€m	1,507	1,126	585
Losses from natural catastrophes ³	€m	832	673	139
Combined ratio property-casualty	%	99.5	96.4	92.6

¹ Before elimination of intra-Group transactions across segments.

² Adjusted pursuant to IAS 8.

³ Previous years adjusted owing to a change in methodology.

Primary insurance ¹	Unit	2008	2007	2006
Gross premiums written	€bn	17.4	17.3	16.7
Investments	€bn	114.3	109.3	107.4
Net technical provisions	€bn	101.6	97.0	94.3
Property-casualty reserve ratios	%	117.0	121.4	124.9
Combined ratio property-casualty	%	91.2	93.4	90.8

¹ Before elimination of intra-Group transactions across segments.

Our shares	Unit	2008	2007 ¹	2006
Earnings per share	€	7.48	17.83	15.05
Dividend per share	€	5.50	5.50	4.50
Dividend	€m	1,074	1,124	988
Share price at 31 December	€	111.00	132.94	130.42
Munich Reinsurance Company's market value at 31 December ²	€bn	22.9	29.0	29.9

¹ Adjusted pursuant to IAS 8.

² This includes own shares scheduled for retirement.

Environmental indicators for Munich Re (reinsurance)

Indicator ¹	Unit	2008	2007	2006
Number of employees	Employees as at 31.12.	10,534	7,372	6,928
Proportion of employees covered by certified environmental management system ²	% of employees	33	46	49
Proportion of employees captured by indicator ²	% of employees	54	78	49
Energy consumption	MJ ³	38,601	40,435	38,650
Business travel	km ³	13,673	14,511	11,635
<i>Thereof air travel</i>	<i>km³</i>	<i>12,974</i>	<i>13,829</i>	<i>11,053</i>
<i>Thereof other travel (train, car)</i>	<i>km³</i>	<i>698</i>	<i>685</i>	<i>582</i>
Paper consumption	kg ³	52	61	80
<i>Thereof recycled paper</i>	<i>%</i>	<i>36</i>	<i>33</i>	<i>31</i>
Water consumption	litres ³	33,622	91,624	27,224
Waste from business operations	kg ³	235	226	218
Direct energy consumption	MJ ³	38,601	40,435	38,650
Indirect energy consumption	MJ ³	100,826	101,283	92,876
Other indirect energy consumption	MJ ³	32,913	33,450	26,670
Direct GHG emissions	kg ³	39	101	32
Indirect GHG emissions	kg ³	4,817	4,871	4,161
Other indirect GHG emissions	kg ³	2,034	2,083	1,654

¹ Indicators in accordance with the standards of the Association for Environmental Management in Banks, Savings Banks and Insurance Companies (VfU indicators 2005; Version 02/2007).

² Owing to the integration of newly acquired companies in the reinsurance group and the concomitant increase in employees (plus 43% in 2008), the proportion of employees involved in the certified environmental management system and proportion of staff captured by the indicator has declined.

³ Unit: per person per year.

Environmental indicators for Munich Re (primary insurance)

Indicator ¹	Unit	2008	2007	2006
Number of employees	Employees as at 31.12.	32,867	30,460	29,509
Proportion of employees covered by certified environmental management system	% of employees	16	18	16
Proportion of employees captured by indicator ²	% of employees	45	49	48
Energy consumption	MJ ³	59,588	59,054	65,244
Business travel	km ³	5,262	4,755	4,657
<i>Thereof air travel</i>	<i>km³</i>	<i>1,452</i>	<i>1,171</i>	<i>1,179</i>
<i>Thereof other travel (train, car)</i>	<i>km³</i>	<i>3,807</i>	<i>3,143</i>	<i>3,475</i>
Paper consumption	kg ³	59	55	49
<i>Thereof recycled paper</i>	<i>%</i>	<i>67</i>	<i>67</i>	<i>67</i>
Water consumption	litres ³	17,464	17,883	20,146
Waste from business operations	kg ³	216	250	263
Direct energy consumption	MJ ³	59,588	59,054	65,244
Indirect energy consumption	MJ ³	66,705	70,765	76,186
Other indirect energy consumption	MJ ³	22,640	20,660	20,539
Direct GHG emissions ⁴	kg ³	1,653	1,491	1,659
Indirect GHG emissions ⁴	kg ³	2,952	3,136	3,376
Other indirect GHG emissions	kg ³	1,399	1,274	1,286

¹ Indicators in accordance with the VfU Indicators 2005 (Version 02/2007).

² The proportion captured for business trips is higher – over 65% in 2008.

³ Unit: per person per year.

⁴ At its Düsseldorf location, ERGO's block-type thermal power station generates electricity and heating/cooling with a high level of energy efficiency, resulting in direct greenhouse gas emissions (GHG emissions). Indirect GHG emissions are emissions based on energy purchased from external sources. This distinction is responsible for the significantly higher share of direct GHG emissions at ERGO and the considerably higher share of indirect GHG emissions in reinsurance.

Key employee figures for Munich Re

Employees worldwide		2008	2007	2006
Employees	Group	44,209	38,634	37,210
	Reinsurance	10,534	7,372	6,928
	Primary insurance	32,867	30,460	29,509
	Asset management	808	802	773
Employees in Germany ¹		2008	2007	2006
Employees	Reinsurance	3,458	3,406	3,391
	ERGO	20,617	20,789	20,817
Employees in training	Reinsurance	37	37	40
	ERGO	1,281	1,181	1,233
Expenses for advanced training (€m)	Reinsurance	7.3	7.3	6.7
	ERGO	8.8	10.4	10.0
Days of advanced training	Reinsurance	9,465	7,204	7,484
	ERGO	60,283 ²	21,007	22,356
Employee turnover (total) (%)	Reinsurance	3.5	3.5	2.8
	ERGO	4.8	4.4	4.3
Employees absent due to sickness (%)	Reinsurance	3.4	3.4	3.0
	ERGO	5.2	4.9	4.6
Proportion of female employees (%)	Reinsurance	48.0	48.0	47.0
	ERGO	52.0	51.7	50.9
Foreign employees (%)	Reinsurance	8.0	8.0	8.0
	ERGO	2.0	2.0	2.1
Part-time employees (%)	Reinsurance	16.0	16.0	14.0
	ERGO	17.5	16.7	16.3

¹ The figures relate to around 57% of Munich Re (Group) employees.

² The large increase is due to a change in the method of capture.

Disclaimer

This report contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.

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