SRI Report 03
Sustainability in the Munich Re Group

February 2007

Information for SRI market analysts and rating agencies

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In the first nine months of 2006, the Munich Re Group recorded an outstanding profit of €2,861m (first nine months of 2005: €1,390m). The operating result grew by 60.4% to €4,638m (2,891m). Gross premiums written amounted to €28.1bn, a level which – adjusted for disposals (e.g. Karlsruher in October 2005) and positive exchange-rate influences – is about the same as last year's. Shareholders' equity has risen by 5.1% to €25.7bn since the beginning of the year (31.12.2005: €24.4bn), primarily due to the very good development of results.

Investments: Result at a high level of €7.0bn

The Munich Re Group's investments totalled €178.2bn as at 30 September (31.12.2005: €177.2bn). For the first nine months of the year, the Group achieved a very good investment result of €6,993m (8,052m). In the third quarter, too, advantage was taken of the favourable mood on the capital markets to restructure or sell investment portfolios. At the end of September, the proportion of investments in equities amounted to 13.5% (31.12.2005: 14.0%) at market values.

Share buy-back

At its meeting on 7 November 2006, Munich Re's Board of Management decided on a share buy-back programme, thus availing itself of the authorisation granted by the Annual General Meeting on 19 April 2006, in accordance with Section 71 para. 1 item 8 of the German Stock Companies Act.

In the period from 8 November 2006 to the Annual General Meeting on 26 April 2007, up to 11,000,000 Munich Re shares will be acquired via the stock exchange. The share buy-back will be restricted to a total purchase price (excluding additional charges) of €1bn; on the basis of the share price level on 2 November 2006, this would be nearly eight million shares or 3.4% of the share capital. In the case of a rising or falling share price, the number of shares to be acquired will change accordingly.

The purpose of the share buy-back is to retire the repurchased shares in order to optimise the Company's capital structure.

The buy-back will be lead-managed by one or more banks, which will make their decisions regarding the timing of share acquisitions independently of and without influence by Munich Re. The buy-back will be carried out in accordance with Section 14 para. 2 and Section 20a para. 3 of the German Securities Trading Act in conjunction with the rules of Commission Regulation (EC) No. 2273/2003 of 22 December 2003. The buy-back programme may be stopped and then resumed at any time.

The share buy-back programme began at the end of November 2006. By the end of January 2007 about 1.73% of Munich Re shares were acquired on the stock exchange for about €500m.

Focus in this report: sustainable investments

For several years now, it has become increasingly important to consider the object of an investment, for example a company, not just in terms of its performance but also in terms of the contribution it makes to sustainable development. Munich Re was quick to recognise the influence of such criteria on risk and return and has long included sustainability-related criteria in its assessment of all classes of assets. The fact that we are signatories to the UN Principles for Responsible Investment is testimony to our commitment in this field.

Ringing in a new era?

Dr. Heiner Hasford, Munich Re Board member responsible for investments, on the Principles for Responsible Investment:

In April 2006, UN Secretary-General Kofi Annan rang the opening bell at the New York Stock Exchange and presented the Principles for Responsible Investment (PRI) to the public. The six principles are intended to serve institutional investors as guidelines for considering social and ecological criteria when making investments. More than 100 asset owners and investment managers have already recognised the PRI, with Munich Re as one of the first signatories. Together, they represent around six trillion euros of assets under management.

The widespread support for the PRI shows that an increasing number of companies recognise the benefits of integrating social and ecological criteria into the investment process. This approach helps to deal with risks in a professional manner – something our industry stands for in a way almost no other does. Numerous studies have shown that sustainability-related investment criteria reduce risk without impairing performance. There is thus a great deal to be said for linking a fair return on investments to an active contribution to promoting sustainable development.

Something that has been seldom discussed to date, but is nonetheless obvious, are the benefits for the liabilities side of insurance accounts, where monetary claims burdens are reflected. If institutional investors integrate ecological criteria in their investment decisions, for example, the pressure on companies to deal actively with environmental protection issues increases. Functioning management systems and other elements of active environmental management reduce the risk of environmental catastrophes and related claims. The same applies to climate protection. If companies take a more active role here due to pressure from the capital market, this ultimately benefits the climate. In 2005, record losses for insurers clearly demonstrated how important this approach is.

The PRI can support this development in two ways: firstly, they will contribute to propagating and anchoring the sustainability-oriented investment approach on the capital market; secondly, they can help bundle the numerous initiatives on this topic, making them more powerful. Both objectives can be achieved via the PRI – through the information campaign to which the signatories have committed themselves.

It helps that the PRI were consciously couched in general terms, leaving room for individual company solutions. Now it is a matter of making use of this room for manoeuvre. If this is to be more than a “well-meant” initiative and actually lead to “well-made” concepts that benefit both the investors and social developments, then the opening bell of the New York Stock Exchange really did ring in a new era.

The UN Principles for Responsible Investment were signed in New York on 27 April 2006 in the presence of UN Secretary-General Kofi Annan. Munich Re will provide regular reports on its implementation of these principles.

Implementation of the UN PRI at Munich Re

Based on this commitment, Munich Re is working on the further integration of sustainability-oriented criteria in all asset classes.

In 2002, we decided that 80% of our investments in shares and corporate bonds should meet sustainability requirements in the long term. For our investments in shares we use the criteria of leading sustainability indices as our yardstick.

For corporate bonds and mortgage bonds of non-listed companies we use research carried out by the acknowledged sustainability rating agency oekom research AG. The agency provides us with regular ratings of the most important bond issuers, which then serve as a basis for our investment decision.

We also consider the status of sustainable development in countries whose government bonds we wish to invest in. One of the parameters which has to be observed in this context is that, for reasons related to our underwriting, capital must be allocated in the currencies in which Munich Re has a relatively large volume of insurance risks. Within this framework, Munich Re has, based on its comprehensive experience in country ratings, developed its own approach to include factors relating to sustainable development in its investment decisions. Among others things, the status of environmental protection and the human rights situation are considered.

In this context, Munich Re has extended the quota regulation for investments in shares and corporate bonds to include investments in government bonds. The target for investments in shares, corporate bonds, and government bonds is a sustainability ratio of 80%. As at 30 September 2006, the quota stood at over 82%.

Munich Re also considers sustainability aspects in its long-term investments. In 2001, we drew up and adopted a set of sustainability criteria for the acquisition of participations. At the end of 2004, we also decided to integrate sustainability criteria in our regular screening of shareholdings. The results of the screening are incorporated in the reports to the Munich Re Board member who represents Munich Re at the respective company.

Specific investments in sustainable projects

<u>ERGO companies invest in the Solarpark Süddeutschland</u>
Europe’s largest solar park is being constructed in southern Germany with an investment volume of some €25m. The project – consisting of solar cells mounted on the roofs of buildings – will cover an area the size of 30 football pitches and have solar cells boasting an output of 5 MWp, enough to power over 1,200 households every year.

The main investors in this project are the Munich Re/ERGO Group (Munich Re pension fund, KarstadtQuelle Versicherungen, Neckermann Versicherung, Hamburg-Mannheimer, Victoria, D.A.S.). It is hoped that as many of the solar cells as possible will be mounted on school buildings. Project planning is in the hands of KarstadtQuelle Versicherungen together with its subsidiary welivit new energy, which in 2005 already successfully installed the Solarpark Franken with a rated output of 800 KWp.

Participation in the Global Commercial Microfinance Consortium

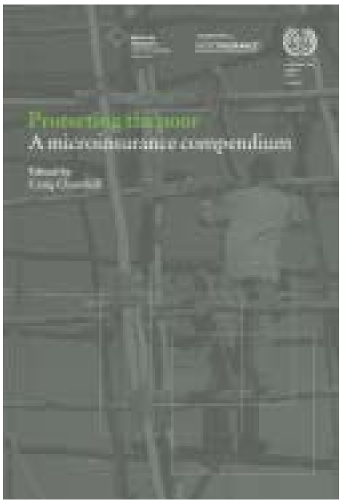
In line with its sustainability-oriented investment strategy, Munich Re participates financially in the Global Commercial Microfinance Consortium (GCMC) established by the Deutsche Bank in November 2005. The main objective of this commercial fund with capital resources of over US$ 80m is to award credit to so-called microfinance institutes (MFIs), which in turn provide credit to self-employed people on low incomes in developing and emerging markets such as street vendors, traders, farmers and service providers, for example seamstresses. These people thus have the opportunity to improve their economic situation and consequently their living conditions. Some US$ 35m has already been allocated to MFIs operating in Peru, Kosovo, Nicaragua, Azerbaijan, Colombia, Pakistan, Mozambique and India.

The investment combines sustainable objectives with a fair market-based return. It also clearly demonstrates that economic objectives and responsible actions are not mutually exclusive.

Microinsurance is becoming increasingly important for Munich Re, especially in light of the recent natural disasters that largely affected uninsured sections of the world's population. By keeping in close contact with the main participants in the field of microinsurance (e.g. MFIs, NGOs, primary insurers), we involve ourselves in market developments. We carefully analyse markets and, where required, derive solutions that meet commercial requirements on a long-term basis.

Microinsurance is also a key workstream in the Munich Re Foundation. In this connection, an extensive compendium was published in November 2006 in cooperation with ILO.

You can find out more about this publication at www.microinsurancecompendium.org.



Protecting the poor; A microinsurance compendium

Corporate governance

Munich Re Board of Management and Supervisory Board declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Companies Act (November 2006)

Since 24 July 2006, Munich Re has complied with all the recommendations of the Government Commission's German Corporate Governance Code of 12 June 2006 (published on 24 July 2006).

Since the last declaration of conformity in November 2005, Munich Re has fulfilled – with only one exception – the recommendations of the Government Commission's German Corporate Governance Code in the version of 2 June 2005 (published on 20 July 2005). The exception involved the since deleted recommendation in item 4.2.4 sentence 2 of the German Corporate Governance Code (individualised disclosure of the Board of Management's remuneration in the notes to the consolidated financial statements).

Changes on the Board of Management

There have been the following changes on the Munich Re Board of Management:

– Christian Kluge and Karl Wittmann left the Board as at 31 December 2006. Dr. Ludger Arnoldussen has been appointed a new member of the Board of Management.
– Dr. Heiner Hasford will leave the Board as at 28 February 2007.

– On sustainability issues: Dr. Nikolaus von Bomhard (CEO) is responsible for issues relating to corporate sustainability and the environmental management system.

Further information on the changes in Board responsibilities can be found in the "Press" section of the MR website.

Important dates for 2007

30 January 2007	Press release on the renewal of reinsurance treaties
28 February 2007	Balance sheet press conference for 2006 financial statements Conference call with analysts and investors
20 March 2007	Annual Report 2006
26 April 2007	Annual General Meeting
27 April 2007	Dividend payment
4 May 2007	Interim report as at 31 March 2007 Analysts' conference, Munich
6 August 2007	Interim report as at 30 June 2007
5 November 2007	Interim report as at 30 September 2007

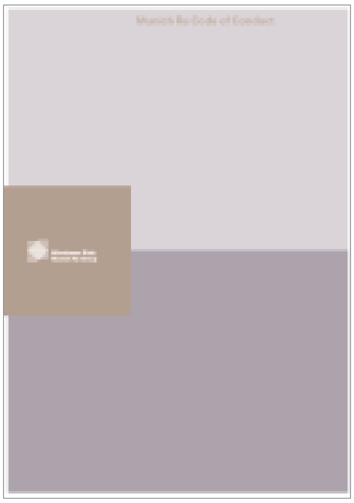
Code of Conduct

New Code of Conduct

In August 2006 the new Code of Conduct entered into force. It contains the most important rules and principles of conduct for all employees of Munich Re and the reinsurance companies of the Munich Re Group. The purpose of the Code is to provide clear information and guidance for employees on the basic legal and ethical requirements they must comply with in the course of their work for the individual Group companies.

The Code covers regulations regarding non-discrimination, conflicts of interest (e.g. granting of advantages, bribery and corruption), insider rules, money laundering and financial crime, environmental protection, donations and sponsoring.

The Code has been distributed to all staff and can also be found on the Munich Re intranet. Munich Re managers must ensure that their staff are familiar with and comply with the Code. All companies in the reinsurance group and all other international business units have been instructed to introduce the Code in their organisations by the end of 2006. To facilitate understanding of the rules of conduct, explanatory notes are posted on the intranet.



Munich Re Code of Conduct

Environmental strategy and management

Sustainability management

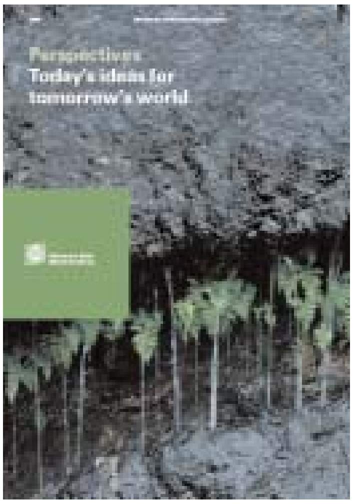
The stage is set for successful implementation of sustainability management at Munich Re: a new sustainability function has been established in the Group Development Division. Its proximity to the strategic planning process and its integration in a central division with a Group mandate will give the new function a high profile and authority.

In his role of Board sponsor, Dr. Nikolaus von Bomhard will provide support for the issue Group-wide. At the same time, he assumes responsibility for environmental questions on the Board of Management. Munich Re will report on the results and further activities in its sustainability report, which will be published for the first time in the summer of 2007.

Environmental communication

"Perspectives" environmental report is now available

Since 2000, the environmental report "Perspectives" has been reporting annually on how Munich Re is applying innovative solutions to confront the challenges of sustainable development. Topics in the current issue include, for example, the opportunities resulting from the development of the renewable energy sector in China and the prospects for socially responsible investments and insurance solutions for the world's poorest people. The publication also includes information on what Munich Re has achieved in the areas of product design, investment and company environmental protection.



Environmental Report "Perspectives" 2005

The report can be downloaded at www.munichre.com.

Reinsurance

Environmental liability: Special environmental policies in the USA

Exclusions of environmental damage in public liability, motor, and property policies mean that companies face gaps in their insurance cover. These gaps can be bridged with special environmental policies. Their history goes back to the end of the 1970s in the USA, when the insurance industry reacted to the mushrooming, incalculable costs for cleaning up contaminated land and water, and the related legal disputes, by excluding environmental damage.

Over decades, firms' activities had – unnoticed – polluted soil and water in many places, and stricter environmental liability laws were forcing the companies and their insurers to pay for this damage. Since the end of the 1980s, there has been a growing market for environmental insurers, who offer cover for first-party losses and third-party claims involving pollution on and outside companies' operating sites. The insurers' target group consists of ecology-minded and risk-conscious firms that apply general rules of environmental protection and safety technology in handling hazardous substances. Insurance cover against unknown past pollution and new environmental damage is also offered to buyers, sellers, building owners, contractors, consultants, and service companies for real estate, construction, and service projects. The range of insurance products provided by environmental insurers is broad, but they can be roughly grouped into site-related and service-related covers. The former are aimed at industrial firms and companies involved in real estate transactions, whilst the latter offer construction firms, service companies, and consultants financial security with regard to environmental damage. Site-related coverage provides compensation in respect of liability for property damage and bodily injury caused by environmental impact and also for clean-up costs on the policyholders' and third-party sites. In the case of service-related coverage, pecuniary losses resulting from environmental impact are added to the cover under professional indemnity insurance. All the covers include costs for defending the policyholder against unjustified claims.

Munich Re provides reinsurance cover for specialist environmental insurers that select the above-mentioned target group on the basis of a risk analysis and advise their clients on environmental risk management and clean-ups. Professional environmental consultancy can detect weaknesses and produce recommendations for environmental protection measures. In this way, company environmental protection that is initially unacceptable for the insurer can be improved to an insurable level. In the event of pollution occurring, the insurance cover makes an important contribution to restoring the site to its previous state and thus to meaningful conservation.

Kyoto Multi Risk Policy

The flexibility mechanisms of Joint Implementation (JI) and Clean Development Mechanism (CDM) are designed to promote reductions in emissions outside the EU too, in countries with reduction targets within the framework of the Kyoto Protocol (JI – from the beginning of 2008) or in countries with no reduction targets (CDM – from the beginning of 2005). These emission reductions can also be transferred and sold after an independent certification.

Based on a comprehensive market analysis, Munich Re has developed a concept which will address institutions engaged in generating carbon credits, such as banks, funds, project sponsors and aggregators as well as compliance investors. Its objective is to compensate for the loss such an investor faces if carbon credits are not delivered according to plan and if at the same time the investor is obliged to deliver to a buyer in the secondary market or has to comply with reduction requirements himself. In contrast to what is commonly available in the market, the Munich Re Group strives to combine traditionally separated lines (e.g. physical damage, counterparty risk or country risk) by adopting a holistic approach. This “Kyoto Multi Risk Policy” will bridge gaps and provide a scope of cover unequalled in today’s insurance industry. Each account is underwritten on its own merits and based on characteristics of the project portfolio, and coverage elements can be combined according to individual clients’ needs.

Primary insurances

Victoria: Supporting the journalist prize “Boundless Energy”

This year saw the first journalist prize “Boundless Energy” awarded by the German Information Campaign for Renewable Energies. The prize is given in recognition of newspaper, magazine and radio reports that have made a special contribution to promoting wind power, hydroelectric power, solar energy and bioenergy in Germany. Journalists in five categories received awards for their reports and photographs on the subject of renewable energies from Prof. Dr. Klaus Töpfer, former Director of the UN Environment Programme. The prize category “Print/Online” was sponsored by Victoria Versicherung AG.

Operational ecology

DKV Seguros – Environmental commitment in Spain

The Spanish subsidiary of DKV, DKV Seguros, has been actively involved in environmental protection for several years (as well as in different social programmes) through various operational ecology programmes designed to save on resources and through participation in different environmental projects. DKV Seguros outlines its commitment to the environment in a six-point programme:

1 Sensible use of resources (reducing energy, water and paper consumption and cutting down on the number of office moves)
2 Reducing the amount of waste, especially paper, by increasing the use of electronic media
3 Reducing its greenhouse gas emissions from business trips by increasing the use of videoconferences
4 Using qualified companies that guarantee proper recycling and disposal of waste
5 Raising awareness of health and ecology issues through the “Aula Verde” staff initiative, with the objective of identifying DKV with these topics and making a positive impact on society, clients, staff and the working environment as a whole.
6 Working together with the Ecology and Development Foundation

Other examples of DKV Seguros’ environmental commitment include:
– Greater use of renewable energies for office operations (2005: 27%, with 66% planned in the next few years)
– The “700 trees” campaign, a staff tree-planting initiative
– The project “Saragossa, a city that saves water”, which won DKV Seguros an award for its exemplary water-saving measures

DKV Seguros joined the Global Compact in 2002. Its first sustainability report based on the GRI standard was published in 2006.

HM: The pro recycling paper initiative

Since 2001, Hamburg-Mannheimer has been a member of the “Pro recycling paper initiative”, an affiliation of various companies seeking to promote the use of recycled paper. This initiative has brought about a significant increase in the use of recycled paper at Hamburg-Mannheimer. In fact, recycled paper now accounts for around 98% of the paper used for copying and printing at Hamburg-Mannheimer’s head office.

Energy efficiency/savings in the office buildings

<u>Victoria: Head office Düsseldorf</u>
The building complex of Victoria’s head office with its striking 109-metre-high office tower combines long-term economic benefits with ecologically sound technical systems and processes. An essential aspect of minimising energy consumption is the use of innovative building automation systems. This makes it possible, for example, to delay activation of an office’s electrical systems until the first staff member who works in that office clocks in with his identification card in the morning and deactivate the same systems when the last person clocks out in the evening. If all

staff in an office are absent on any given day, the electrical appliances automatically remain switched off and the heating is turned down. Also, the building's control systems automatically shut off the heating if someone opens a window in the office. Most of the energy requirements are covered by environmentally-friendly cogeneration from a gas-powered block-type thermal power station with a high level of efficiency.

DKV and Hamburg-Mannheimer
Extensive changes to the air-conditioning systems have been approved for the head offices of DKV and Hamburg-Mannheimer, which will produce significant energy savings in the coming years and lead to substantial reductions in CO_2 emissions.

D.A.S.
The D.A.S. head office, completed in 1994, has a wide range of state-of-the-art automation systems. These include natural window ventilation wherever possible, which reduces the need to use air-conditioning. A benchmark comparison with other buildings showed that the head office is also of a very high standard in terms of energy consumption, which was significantly below that of many comparable and newer buildings. Low energy requirements for heating make it possible to use district heating with a high proportion coming from cogeneration.

You can find important key figures under "Sustainable development indicators" on page 12.

Staff

Fair Company Initiative

Munich Re and ERGO have both joined the Fair Company Initiative, whose objective is to help improve university graduates' chances of finding a suitable career. The participating companies undertake to adhere to the following five basic principles: "Fair companies ...

- do not replace full-time positions with interns, so-called volunteers, student employees, etc.;
- do not offer internships to university graduates that have applied for a full-time position;
- do not hold out the vague prospect of a full-time job in the future as a way of getting someone to do an internship;
- offer internships primarily to people still in education to provide them with professional and vocational orientation;
- pay interns a fair wage."

Munich Re and ERGO support the Fair Company Initiative

Training concept for prospective insurance specialists at Munich Re

The subject of environmental protection and sustainable development is a new component in our vocational training of insurance specialists. The concept was applied for the first time in September 2006. Right from the start of their careers with Munich Re, apprentices are to be familiarised with various aspects from the field of sustainability and consider them in both theory and practice over a period of one year as part of their curriculum. The objective is to create a long-term awareness of the topic among apprentices and to enable them to use this knowledge and insight in underwriting.

The concept comprises three modules, which deal with current sustainability issues using different didactic methods and explain Munich Re's environmental activities. In a realistic business game involving environmental liability, apprentices experience how risks are to be assessed and underwritten from the perspective of sustainability. Also envisaged are visits to facilities for generating renewable energy in and around Munich, including the chance to experience the related insurance aspects.

Apprentices will thus be enabled to evaluate the relevance of sustainability for a reinsurer in general and to realise Munich Re's specific sustainability strategy in their work.

Clients and suppliers

Client satisfaction

Reinsurance

Munich Re "Best Reinsurer Overall"
The European Flaspöhler survey has again rated Munich Re "Best Reinsurer Overall" (by cedant vote) in the life and non-life sectors in 2006. Munich Re is the leader in a large number of the study's subcategories and has even improved its standing since the last survey in some cases.

The Flaspöhler study is a web-based survey in which European primary insurers rate their reinsurers. It was conducted for both life and non-life in April and May 2006. In total, around 800 insurance industry decision-makers took part in the survey, 462 from non-life and 329 from life.

Primary insurance

This section takes a detailed look at one of the ERGO Group brand names. The current issue focuses on **Victoria**.

Victoria Versicherungs–Gesellschaften

Corporate profile
With its 150-year history, Victoria is one of the largest and most reputed insurers in Germany. It is a company of the ERGO Versicherungsgruppe, the second-largest primary insurer in Germany. As a modern all-round insurer of property-casualty, life, health and pension fund business, Victoria offers its four million clients insurance for private, commercial and industrial needs.

With premium income of €4.3bn and over 11,000 desk and field staff, Victoria is one of the biggest in its field. The range of insurance and financial services it offers is complemented by an extensive cooperation agreement with HypoVereinsbank.

Excellent service for clients
According to an analysis conducted by Victoria, it is one of the ten best-known insurance companies in Germany. It has positioned itself as a service insurer and regularly monitors its service through client surveys and questionnaires. These surveys are conducted by an external institute (psychonomics) in order to ensure the objectivity of the results.

Competent and courteous staff
90% of Victoria's private clients are happy or very happy with the service they receive: an exceptionally high level of customer satisfaction.

From the clients' perspective, what sets Victoria apart from its competitors is its services, and the expertise, friendliness and helpfulness of its desk and field staff.

What also makes Victoria an especially client-friendly company is the way it handles client internet and e-mail enquiries. An independent test carried out by a Hamburg software company showed that Victoria was one of the best among the 90 major insurers surveyed in terms of responding to test enquiries, all of which were answered within 24 hours.

Certified service strength
Tested by TÜV and found to be "good". The Technical Inspection Agency of Saarland has already undertaken two surveys of Victoria's service quality – with excellent results. Following the second inspection, Victoria not only received another certificate of high-level service but was accredited an even higher service quality compared with the first inspection. Victoria was one of the first insurance companies to receive certification from the Saarland Inspection Agency and may now use this acknowledged German seal of quality.

Victoria sees the results of the surveys and inspections as endorsing its policy of continually investing in the quality of its consultancy and service.

Suppliers

Munich Re selects its suppliers and products according to environmental and sustainability criteria.

- Our purchasing guidelines set out specific environmental criteria for assessing suppliers, such as whether they have a certified environmental management system.
- The same criteria apply to our purchasing strategy. Environmentally sound products are identified in the eCOS electronic materials procurement system.
- As far as possible, regional products are used in staff catering facilities, since this helps to minimise levels of transport. Currently, 80% of the products used are obtained locally. The proportion of ecological products in Munich Re's canteens is currently around 10%. The Munich Re kitchens were awarded the German eco-certificate in September 2006.

Social commitment

The Munich Re Foundation – tasks and investment strategy

Munich Re has been handling global risks for more than 125 years. Today, it possesses expertise and know-how in all fields of competence connected with the subject of risk. Acting responsibly means sharing that knowledge. The Munich Re Foundation enables Munich Re to fulfil this responsibility. People are ultimately at the core of what the foundation's work is all about. The foundation's task is to minimise the risks to which they are exposed. It clarifies issues and provides support, also in developing countries.

Endowed with a capital of €50m, the Munich Re Foundation "opened for not-for-profit business" in April 2005. The topics that the foundation's work deals with are as complex and varied as the background and causes of risks. Questions concerning population development, for example, are inseparably linked to the element of water: on the one hand a valuable resource and on the other a risk factor. This is equally true of the link between current issues in the field of environmental and climate change or disaster prevention and poverty relief. The foundation seeks to provide answers to overarching questions from a variety of perspectives in order to find sustainable solutions in the area of risk prevention. The object of its asset management strategy is to strike the delicate balance between return expectations and its own objectives. The social responsibility and sustainability considerations to which it subscribes are not simply part of an image-building exercise but an essential component of its successful asset management.

The Munich Re Foundation's investment strategy

To derive maximum benefit from investment strategy opportunities in accordance with legal requirements, the Munich Re Foundation and MEAG set up a special fund at the beginning of 2002. The fund is managed in accordance with the total return principle. Thus performance is measured in terms of the absolute earnings at year-end and not in relation to a benchmark. The regional, rating and asset-class criteria that govern MEAG's asset management policy are laid down in the mandate. In addition to these requirements, the Foundation's Board of Trustees has passed a number of sustainability guidelines. Positive criteria are based on a "best in class" approach, i.e. only companies that are sustainability leaders in their sector are admitted to the investment universe. The Board has also stipulated especially relevant sectors such as renewable energy or water treatment.

The result

At 6.59% p.a., the average performance of the Foundation's funds in the period 2002–2006 achieved a top return compared with other investment funds tailored to foundations. Despite the tough climate in the financial markets in 2002, for example, the fund managed not just to preserve but to marginally increase its assets. The result highlights the strength of MEAG MRS's investment strategy even from a medium-term perspective.

Conclusion

Our knowledge of climate change, environmental destruction and the depletion of global resources as well as the Munich Re Foundation's objectives and long-term focus put us under an obligation to invest in accordance with the sustainability criteria laid down in the Foundation's guidelines. The very fact that social and ecological aspects are taken into account has contributed to the good results. Moreover, through its special investment strategy, the Foundation is able to demonstrate a credibility and sense of responsibility that have far-reaching implications. Whilst it is true that past performance does not guarantee future results, the Foundation is confident that it is on the right track.

For further information on the Munich Re Foundation's projects, please visit www.munichre-foundation.org.

Initiatives and memberships

The knowledge Munich Re has assimilated on world risks imposes an obligation on the company to play an active role in solving global problems. To achieve this objective, we share our know-how with our clients and investors, politicians, and national and international institutions.

Support of the Carbon Disclosure Project

Munich Re has also been supporting the fourth questionnaire round of the CDP. There are over 211 institutional investors promoting this project with assets under management totalling US$ 31 trillion. The number of companies surveyed on emission volumes and climate-protection activities in CDP 4 was increased to 2,100. The information obtained from the CDP is used by Munich Re in its asset management. As a result of the CDP's fourth questionnaire round, Munich Re was again included in the Climate Leadership Index.

CARBON DISCLOSURE PROJECT

How sustainability analysts rate us

Rating agencies, banks and asset management companies have international sustainability analysts who regularly evaluate Munich Re's environmental and sustainability activities. These independent evaluations are an important yardstick for us and at the same time point the way forward for the future. A selection of recent Munich Re ratings is given below:

Bank Sarasin	**Munich Re qualified for Bank Sarasin´s sustainability funds** Zurich: With an "above average" rating both in the industry rating as well as in the company rating, Munich Re in 2006 again qualified for the sustainability funds of Bank Sarasin.
Carbon Disclosure Project (CDP)	**Munich Re in the Climate Leadership Index** London: Munich Re has supported the CDP since its launch in 2002. As a result of the fourth questionnaire round (CDP 4), Munich Re was included in the Climate Leadership Index 2006.
DJSI	**Munich Re in the DJSI since 2001** Zurich: Munich Re has consistently featured in the Dow Jones Sustainability Index since 2001. The index comprises some 300 of the 2,500 largest companies in the Dow Jones Global Index.
E. Capital Partners	**Included in the Ethical Index** Milan: Munich Re is also in the Ethical Index Global of Italian asset manager E. Capital Partners. The index was launched at the beginning of 2000.
FTSE4Good	**FTSE4Good endorses Munich Re** London: For the fifth successive time since the index was first published in 2001, Munich Re achieved a place in the FTSE4Good Index.
KBC	**Best environmental management in European comparison** Brussels: In a comparison of 24 European financial services providers, Munich Re was the top scorer on environmental management, coming 11th overall in the Belgian KBC asset management company's ratings.
KLD	**Munich Re in Global Climate 100 Index** Boston: KLD ranked Munich Re among the top 100 companies globally in terms of its commitment to climate protection. Munich Re is one of four financial sector companies selected for the index.
oekom research AG	**"Prime" rating for Munich Re** Munich Re was rated "Prime" in the latest rating of the insurance sector by oekom research in 2006. Munich Re was ranked ninth out of the 27 insurance sector companies assessed.
scoris	**Best in sector** Hanover: Munich Re achieved a top-ten place in SiRi's current sector ratings. Its 64.2 corporate sustainability score is well above the 52.5 sector average.
Storebrand	**Munich Re best in class** Oslo: Munich Re achieved the best-in-class accolade in Storebrand's sector rating.
Vigeo	**ASPI and ESI** Paris: Munich Re is included in the ASPI Eurozone® Index that consists of the 120 listed Eurozone companies that perform best in social and environmental terms. The stocks are selected on the basis of Vigeo ratings. Munich Re is also included in the Ethibel Pioneer Index® that consists of some 200 companies' stocks from Europe, North America and Asia-Pacific. It consists of companies showing, on the basis of Vigeo ratings, the most outstanding scores in terms of social and environmental sustainability and meeting the ethical criteria by the independent organisation Forum Ethibel.

Sustainable development indicators

The table below provides an overview of the most important economic, environmental and employee-related indicators for Munich Re. Environmental indicators are shown separately for reinsurance (MR Munich) and primary insurance (ERGO Group) to take account of the different nature of these two types of business.

As at 31.12.2005	Reference basis	Unit of measurement	2005	2004	2003
Economic					
Gross premiums written	MR Group	€bn	38.2	38.1	40.4
Taxes on income	MR Group	€m	1,009	712	1,752
Profit for the year	MR Group	€m	2,743	1,887	–468
Investments	MR Group	€bn	177.2	178.1	171.9
Shareholders' equity	MR Group	€bn	24.7	20.6	19.3
Return on equity	MR Group	%	12.3	9.5	–3.0
Earnings per share	MR Group	€	11.70	8.01	–2.25
MR market capitalisation (at 31.12)	MR Group	€bn	26.3	20.8	22.1
Ecological					
Degree of coverage by certified environmental management system (EMAS, ISO 14001)	MR Group	% of staff	approx. 20	approx. 19	approx. 15
Environmental indicators for MR Munich					
CO_2 emissions*	MR Munich	kg per person per day	37.2	37.1	31.1
Business trips	MR Munich	km per person p.a.	10,659	11,179	9,457
Power consumption	MR Munich	kWh per person p.a.	6,527	6,456	5,351
District heating and gas requirements	MR Munich	kWh per m^2 p.a.	164	149	109
Water consumption	MR Munich	litres per person per day	95	94	102
Waste from business operations	MR Munich	kg per person per day	0.9	0.8	1.1
Copying paper	MR Munich	sheets per person per day	35	38	40
Of which recycled paper	MR Munich	%	55	58	59
Staff catering: proportion of regional products	MR Munich	%	80	80	80
Environmental indicators for the ERGO Group					
CO_2 emissions*	ERGO**	kg per person per day	23.4	22.9	22.6
Power consumption	ERGO**	kWh per person p.a.	6,856	6,682	6,704
District heating and gas requirements	ERGO**	kWh per m^2 p.a.	140	140	135
Water consumption	ERGO**	litres per person per day	93	91	91
Waste from business operations	ERGO**	kg per person per day	1.1	1.1	1.1
Copying paper	ERGO**	sheets per person per day	30	31	32
Of which recycled paper	ERGO**	%	76	76	76
Human resources					
Employees	MR Group		37,953	40,962	41,431
	MR AG		6,798	6,612	6,445
	MR Munich		3,365	3,208	3,083
	ERGO		29,227	30,921	31,470
Employees in training	MR Group		1,450	1,776	1,951
Expenses for advanced training	MR Munich	€m	6.3	6.9	6.4
Days of advanced training	MR Munich	participant days	7,051	8,237	10,466
Employee turnover (total)	MR Munich	%	2.8	3.1	3.3
Employees absent due to sickness	MR Munich	%	3.2	3.1	3.0
Proportion of female employees	MR Munich	%	47.0	46.0	46.0
Foreign employees	MR Munich	%	8.5	8.7	8.8
Part-time employees	MR Munich	%	13	12.4	11.4

* The yardstick used to determine the impact of air travel on the greenhouse effect over and beyond the emission of CO_2 is the Radiative Forcing Index (RFI). Currently, CO_2 emissions are multiplied by an RFI of 2.7.

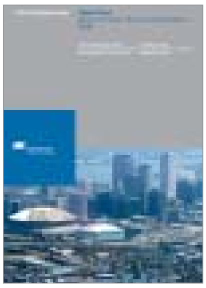
** These figures include data from the head-office sites of the ERGO companies VICTORIA, Hamburg-Mannheimer, DKV, D.A.S., the ERGO holding company and ITERGO; the CO_2 figures are based on the data of the head offices (power consumption + heating requirements) and the data relating to business trips by office staff and company field staff.

Publications

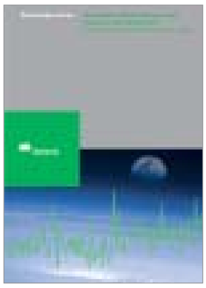
Further information on the topics referred to here can be found in the Munich Re publications shown below. Orders for all publications can be placed on the Munich Re and Victoria websites. Most of the publications are available in English.

Annual Report 2005
302-04809

Environmental Report "Perspectives 2005"
302-05051

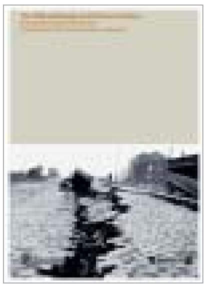


Topics Geo: Annual Review of Natural Catastrophes 2005
302-04772



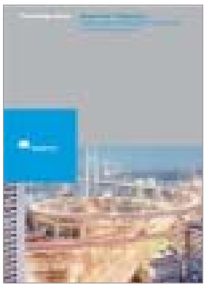
Hurricanes – More intense, more frequent, more expensive: Insurance in a time of changing risks
302-04891

Weather catastrophes and climate change – Is there still hope for us?
302-04221



The 1906 earthquake and Hurricane Katrina
302-04961

What is a flood? Brochure on the definition of flood occurrences in reinsurance
302-04374



Megacities – Megarisks: Trends and challenges for insurance and risk management
302-04271

Victoria's 2005 environmental statement (only available in German)

Topics 2006/1
302-04915

Websites:

www.munichre.com The information available on the website has been revised and further expanded. Detailed information on sustainability issues can be found at Corporate >> Sustainability.

www.victoria.de Information on Victoria's commitment is available at Victoria >> Das Unternehmen >> Engagement.

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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 forwardlooking 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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