

# Guideline on gifts and hospitality

C2 For internal use only

## Contact

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## Scope of application

Group-wide  
All organisational units

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Board of Management of Munich Reinsurance Company (MR AG)

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Guideline

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Binding

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# 1 Objective, scope of application, definitions

## 1.1 Objective

The principles to observe in respect to using gifts and hospitality are laid down in Munich Re's Code of Conduct (Article 4). This guideline describes these principles in greater detail and supports with interpreting them in practice, as to ensure a standard procedure and improving transparency.

The guideline also contains explanations to enable staff to deal with giving and receiving gifts on their own. The guideline as a whole aims at protecting staff from any suspicion that they might have committed an offence, such as offering, promising or granting an improper advantage, or demanding, receiving or accepting an improper advantage to or from business partners or public officials.

Regardless of the criminal consequences related to receiving and giving gifts from or to business partners or third parties (e.g., suppliers, external service providers), this may also lead to a conflict of interest. The purpose of this guideline is to avoid conflicts of interest and resolve unavoidable conflicts of interest with a controlled and transparent process.

## 1.2 Scope of application

This guideline applies to all staff at MR AG and its branches,<sup>1</sup> including the members of the MR AG Board of Management. Additional provisions relating to this guideline for the members of the MR AG Board of Management can be obtained if required from GD1.6.

The Board of Management of MR AG expects companies affiliated to MR AG<sup>2</sup> to implement a policy equivalent to this guideline including the internal approval processes. On the basis of the "comply or explain" principle, all affiliated companies must provide GComp with a written explanation of any differences from the present guideline and submit them for approval before they are adopted.<sup>3</sup> Where local rules are stricter than those set out in this guideline, those rules shall prevail.

## 1.3 Definitions

### 1.3.1 Socially accepted

In order to avoid possible conflicts of interest and any ensuing damage to reputation, the principle of "socially accepted" gifts must be applied. This principle always applies individually to the respective recipient and his or her social status. The typical "test question" to ask is: Could the recipients have afforded the benefit themselves, and would they have been willing to?

### 1.3.2 Benefits

Benefits are economic, social or personal advantages of any kind. These include in particular:

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<sup>1</sup> The rules in the Blue Collection "Guideline on Gifts and Hospitality" that currently apply to staff at branches, representative offices and service companies, and to staff on assignment do no longer apply. Any local regulations using different monetary limits have to be disclosed on a "comply or explain" basis.

<sup>2</sup> Affiliated companies of MR AG within the meaning of Section 15 of the German Stock Corporation Act (affiliated companies).

<sup>3</sup> The ERGO Versicherungsgruppe AG guideline on conflicts of interest have already been submitted to GComp. It is recognized as being equivalent to this guideline.

- physical gifts including gift certificates and vouchers;
- cash, cash-equivalent gifts and other financial benefits;
- raffle and lottery tickets;
- to facilitate business contacts, honorary positions or memberships;
- giving or receiving offers of employment or other professional advantages;
- hospitality, invitations events consisting primarily of entertainment;
- invitations to seminars, lectures and trade fairs, including travel expenses and accommodation.

Prizes from in-house raffles are **not** deemed to be gifts.

Similar to gifts, invitations are benefits intended to show or accept personal appreciation. In principle, they are legitimate to maintain customer relationships, and demonstrate hospitality.

### 1.3.3 Business partners

Business partner is anyone we have a business relationship with. This particularly includes cedants, retrocedants and retrocessionaires.

### 1.3.4 Approval process

Monetary thresholds to approve gifts and hospitality set out in Sections 2 and 3 of this guideline are as follows:

Amounts over €35 (over €100 in the IO<sup>4</sup>) and up to €500 must be approved by:

- Management Level 2 according to the organisational charts in MR Web
- the head of a foreign branch
- the local Management Level 1 at Munich Re's affiliated companies

Amounts over €500 must be approved by:

- Management Level 1 according to the organisational charts in MR Web
- Group Compliance (GComp) for Management Level 1 and members of the MR AG Board of Management
- the Board in the case of an affiliated company
- the local Compliance unit for Management Level 1 and the Board Members of an affiliated company

If self-approval within the respective monetary thresholds is possible, this needs to be documented.

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<sup>4</sup> International Organisation (IO): Branches of MR AG and affiliated companies.

### 1.3.5 Public officials

In addition to civil servants and judges, any person representing a public body or who has been assigned to act on behalf of a public body, is considered a public official.

Public officials include the following persons:

- Staff at the Federal Financial Supervisory Authority (BaFin) or any other regulatory body
- Members of the public administration, e.g., city employees
- Justice officials, such as judges and public prosecutors
- Any holders of public office, such as notaries, government staff and elected representatives

## 2 Giving benefits

Benefits for business partners are a normal part of customer relationships and help to demonstrate Munich Re's value proposition. However, they must remain within reasonable bounds and may not be misused for the purpose of unduly influencing business decisions or distorting competition.

When evaluating whether a benefit is reasonable or not, any local customs are to be taken into account, in addition to the question of what is socially acceptable (see 1.3.1).

When giving a benefit, the following must be considered:

- Letters are to be sent on official letterhead
- E-mails are to be sent from the company account
- The offer or invitation is to be sent to the recipient's official business or professional address
- The type and extent of the benefit (e.g., event programme, location, times) must be specified
- Invitations to public officials must be made expressly conditional on approval by their respective superiors. A suitable wording would be, for example, "We kindly ask that you obtain approval from your superior before accepting this invitation."

Gifts, as a special form of benefits, may only be given to our business partners – notably cedants, retrocedants and retrocessionaires.

### 2.1 Gifts not requiring approval

Gifts with a value of up to €35 MR net<sup>5</sup> for business partners, e.g., during occasional visits or travel, do not require approval. In the IO, offering gifts with a value of up to €150 do not require approval. If the *ProC@t* platform can be accessed, gifts are to be ordered from the standard selection in the on-line catalogue. Ordering using the on-line catalogue does not require any explanation or approval.

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<sup>5</sup> Offering gifts to clients are subject to a limit of €35.00 including non-deductible VAT/turnover tax (= "MR net"). On the basis of Munich Re's current input tax deduction, this is equivalent to a net amount of €31.96. The thresholds set out in 2.1 and 2.2 are "MR net" limits.

## 2.2 Gifts requiring approval

Gifts exceeding €35 MR net in value (€150 in the IO) must be reported to the respective staff member's superior and require the superior's approval in writing.<sup>6</sup> The approval process depends on the value of the gift. Staff are required to keep a written copy of the request and the approval for the benefit. The documentation must be saved in such a way that it can be showed upon request.

If, in exceptional circumstances, approval cannot be obtained before a benefit is given, the respective employee may decide him- or herself whether to offer the gift and obtain the required approval afterwards.

### 2.2.1 Gifts between €35 and up to €500

Gifts with a value of more than €35 and up to €500 should be chosen only in exceptional cases. To order such a gift, the purpose must be appropriately detailed and approval obtained in accordance with the monetary thresholds in section 1.3.4.

Gifts for special occasions for important business partners, e.g., at personal occasions, such as birthdays, wedding anniversaries, the birth of a child, recovery from illness, or corporate or contract anniversaries, may justify gifts with a value greater than €35. If the on-line catalogue can be accessed, gifts above €35 and up to €500 can be ordered under the menu "alternative gifts" for special occasions, events or individuals.

### 2.2.2 Gifts over €500

Gifts valued above €500 are reserved for especially important corporate or contract anniversaries with key business partners. Meaningful reasons for the gift must be given and approval obtained in accordance with the monetary thresholds specified in section 1.3.4.

## 2.3 Special circumstances

### 2.3.1 Gifts for employees

Gifts among staff within Munich Re must be paid for privately and may not be charged to the company. This also applies during business trips. At the Munich location, gifts or fringe benefits are provided for at personal occasions (service anniversaries, weddings, retirement, etc.). The respective rules can be found under ME@MUNICHRE>>Fringe Benefits.

### 2.3.2 Company gifts to Board members, retired Board members and their surviving dependants

Gifts to Board members are not called for. The regulation "Company gifts to Board members, retired Board members and their surviving dependants" covers this issue for members of the Board of Management of MR AG. Further information can be obtained from GD1.6 if necessary.

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<sup>6</sup> For Germany, the following applies: Gifts offered to recipients in Germany are subject to taxation as benefits in kind. Pursuant to Section 37b of the German Income Tax Act, it has been possible since 1 January 2007 to make a general payment to cover the recipients' tax liability. The MR AG Board of Management has decided to make use of this option. As confirmation that the tax liability has been settled, the statement "Tax payable on item in package has been grossed up and paid by Munich Re" is added to the barcode label attached by the service provider EIDEX to every package for gifts exceeding €35.

### **2.3.3 Parting gifts for business partners**

Gifts for professionals who are retiring or otherwise leaving their job are generally not provided. Exceptions are only permitted if Munich Re representatives are personally invited to such an event. Prior written approval must be obtained in accordance with the monetary thresholds laid down in section 1.3.4.

### **2.3.4 Benefits to holders of public office**

Benefits that may compromise a public official's independence or integrity are explicitly prohibited. If, in rare circumstances, a benefit is given to a public official, this must be approved in writing by the local Compliance unit. For Munich, this is GComp.

## **2.4 Prohibited gifts**

The giving of cash, cash-equivalent benefits and other financial benefits (cheques, money transfers, price discounts, rebates, etc.) is generally prohibited. Any exception requires the prior written approval of the local Compliance unit. For Munich, this is GComp.

## **2.5 Hospitality not requiring approval**

Hospitality serves to maintain business relationships. However, hospitality may only be granted for a (legitimate) business purpose and when the person issuing the invitation, or his or her representative, will also be attending. It is generally not permissible for a Munich Re staff member to bring a private companion to a business-related invitation. Exceptions require the prior written approval by the local Compliance unit. For Munich, this is GComp.

Invitations to business meals with a value of up to €250 per person are generally acceptable. They are a normal environment for business discussions and are part of established business practice. Nevertheless, care should be taken to ensure that hospitality is reasonable and proportionate.

## **2.6 Hospitality requiring approval and “Special Events”**

Invitations issued for business meals with a value exceeding €250 per person, and to events consisting purely or primarily of entertainment, require approval.

For both, the question of what is appropriate and/or socially accepted as per 1.3.1 above applies. Any mixing of private and business interests should be avoided. Approvals granted have to be documented and stored/saved in such a way that they can be shown upon request.

### **2.6.1 Invitations with a value of up to €500 per person**

Before inviting a business partner to a business meal with a value exceeding €250 per person, or to an event consisting purely or primarily of entertainment valued up to €500 per person<sup>7</sup>, written approval must be obtained in accordance with the approval authorities laid down in section 1.3.4.

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<sup>7</sup> Different approval process applies for “Special Events” as described under 2.6.3

## 2.6.2 Invitations with a value exceeding €500 per person

Before an invitation with a value exceeding €500 is given to a business partner, prior written approval must be obtained in accordance with the monetary thresholds laid down in section 1.3.4.

## 2.6.3 Invitations to events consisting purely or primarily of entertainment (“Special Events”)






Managers must be restrictive when approving invitations to “Special Events” (e.g., soccer matches, Formula One races, comparable international sporting events or other events that clearly consist purely or primarily of entertainment (comparable to the Oktoberfest in Munich), and as a matter of principle decline expensive hospitality (e.g., VIP lounges valued at more than €250 per person). The only exception to this rule would be if there are special reasons in a specific case, where the event serves as an accompanying programme to a business event.

In such special situations, the ML1 management responsible or the local Compliance unit may approve an exception in accordance with the monetary thresholds laid down in section 1.3.4. For Munich, GComp must be involved. The approvals must be documented in such a way that they can be shown upon request.

## 2.7 Special case: Staff events at project or working-group level

Events at project or working group-level are acceptable on special occasions. For Munich, additional events (beyond the two tax-free staff events at divisional, unit, department or section level) are possible at project or working-group level (e.g., project completion ceremonies). The guidelines on staff events apply hereto.

## 2.8 Summary: Giving benefits

| To                 | Type  | Value (per giving/receiving person)  |  |   |     |  | Euros   |
|--------------------|---|--|--|---|-----|--|---|
|                    |   | 0  | 35   | 150   | 250 | 500  |   |
| Business partners  |  Gifts   | ✓ No approval required in Germany  | ✓ IO <sup>1</sup>  | To be approved by ML2, <sup>2</sup> head of foreign branch<br>Local ML1 of affiliated company; to be documented |     |  | ✗ To be approved by ML1 <sup>3</sup> or by Compliance, <sup>4</sup> Board members of affiliated companies; to be documented |
|                    |  Business meals  | ✓ No approval required if conforms to normal business practice and "socially accepted" principle   | To be approved by ML2, <sup>2</sup> head of foreign branch, local ML1 of affiliated companies; to be documented  |   |     | ✗ To be approved by ML1 <sup>3</sup> or by Compliance, <sup>4</sup> Board members of affiliated companies; to be documented  |   |
|                    |  Invitations consisting primarily of entertainment               | ✗ Restrictive approach; to be approved by ML2, <sup>2</sup> head of foreign branch, local ML1 of affiliated companies; strict requirements re business necessity; to be documented | To be approved by ML2, <sup>2</sup> head of foreign branch, local ML1 of affiliated companies; to be documented  |   |     | ✗ To be approved by ML1 <sup>3</sup> or by Compliance, <sup>4</sup> Board members of affiliated companies; to be documented; special situations to be taken into account |   |
|                    |  Special Events e.g. Formula One, VIP boxes, soccer, Oktoberfest | ✗ Restrictive approach; to be approved by ML2, <sup>2</sup> head of foreign branch, local ML1 of affiliated companies; strict requirements re business necessity; to be documented | In principle prohibited; exceptions with prior approval of ML1 <sup>3</sup> or of Compliance <sup>4</sup> or Board of affiliated companies; to be documented |   |     |  |   |
| Other <sup>5</sup> |  All gifts and benefits  | ✗ Prohibited unless prior approval of Compliance <sup>4</sup> obtained   |  |   |     |  |   |
| All                |  Cash and cash-like benefits                                     | ✗ Prohibited in principle; exceptions with approval of Compliance <sup>4</sup>   |  |   |     |  |   |

- 1) The giving of gifts of up to €150 in value does not require approval for foreign branches and affiliated companies
- 2) MR AG Management Level as per organisational charts in MR Web; for ML2, ML1 and Board of Management self-approval
- 3) MR AG Management Level as per organisational charts in MR Web
- 4) Group Compliance (GComp) for MR Munich, local Compliance unit for branches and affiliated companies
- 5) Including suppliers, external service providers and public officials



## 3 Accepting benefits

### 3.1 Gifts not requiring approval

According to the *Code of Conduct* modest gifts of up to €40 in value<sup>8</sup> may be accepted without approval.<sup>9</sup> In the IO, gifts with a value of up to €100 may be accepted without approval.

### 3.2 Gifts requiring approval

Gifts exceeding €40 in value (€100 for the IO) must as a matter of principle be handed over to the recipient staff member's employer. All gifts must be recorded and inventoried.

For Munich, the form *"Notification of retained gifts"* should be used to report all gifts to Se1.2.2 for inventory and storage purposes. If, according to the form, the gift is to be donated to charity (the usual method as per the *Code of Conduct*), Se 1.2.2 will arrange for it to be collected. The centralised inventory and storage of gifts in Munich run by Se1.2.2 ensures that the process is transparent, consistent and understandable.<sup>10</sup>

If the gift is to remain at the company (e.g., particularly valuable gifts, or those bearing the logo of the company offering the gift), the abovementioned form *"Notification of retained gifts"* should also be used for the inventory.

After the gift was added to the inventory, it may be displayed in the recipient's office or elsewhere on company premises. Should the recipient wish, in exceptional cases, to keep the gift for themselves, they must give meaningful reasons for wishing to do so and obtain approval in accordance with the approval authorities laid down in section 1.3.4.

For Munich, the recipient must inform HR that the gift is being kept using the form *"Notification of retained gifts"*, and pay the tax on the resultant benefit in kind themselves, since the gift is subject to income tax.<sup>11</sup>

#### 3.2.1 Special case: Contests/lotteries/raffles

Staff may accept raffle tickets as gifts, and participate in third-party contests and prize draws. This is conditional on the potential winner being selected randomly, and the staff member not being specifically targeted.

#### 3.2.2 Prohibited gifts

The accepting of cash, cash-equivalent benefits and other financial benefits (cheques, money transfers, price discounts, rebates, etc.) is prohibited as a matter of principle. Exceptions require the prior written approval of the local Compliance unit. For Munich, this is GComp.

### 3.3 Hospitality not requiring approval

Hospitality serves to maintain business relationships. Therefore, hospitality may only be accepted for a business purpose and when the person inviting, or their representative, will also be attending. Invitations to

<sup>8</sup> The Munich Re limit of €40 for the acceptance of gifts in Germany is based on the benefit in kind for tax purposes pursuant to Section 8 II 11 of the German Income Tax Act: "modest" gifts may be kept; no tax implications as long as the monthly value limit is not exceeded.

<sup>9</sup> Except for, for example, staff in CP, who are prohibited from receiving advantages or accepting gifts from suppliers.

<sup>10</sup> This relates to the inventory of gifts in Munich. An equivalent procedure should be set up locally.

<sup>11</sup> Benefit in kind must be treated in accordance with local tax regulations.

typical business meals costing up to €250 per person that are reasonable considering local customs may be accepted.<sup>12</sup>

Invitations from business partners – especially cedants, retrocedants and retrocessionaires – may generally be accepted under the following conditions:

### 3.4 Hospitality requiring approval and “Special Events”

Business meals with a value exceeding €250 per person, events consisting purely or primarily of entertainment and “Special Events” require approval. Approvals granted are to be documented and saved in such a way that they can be showed upon request.

It is generally not permissible for a Munich Re staff member to bring a private companion to a business-related invitation. Any exceptions to this rule require the prior written approval of the local Compliance unit. For Munich, this is GComp.

#### 3.4.1 Invitations to business meals that do not conform to normal business practice

For invitations to a business meal with a value exceeding €250 per person to be accepted, meaningful reasons must be given and approval obtained in accordance with the monetary thresholds outlined in section 1.3.4. For business meals with a value exceeding €500 per person, meaningful reasons must also be given and approval obtained in accordance with the monetary thresholds laid down in section 1.3.4.

For reasons of practicality, approval may be obtained after the acceptance of such invitations in individual cases. This applies especially when staff are on a business trip. In such cases, the approval serves to document the invitation and ensure that the management levels stipulated in section 1.3.4 are informed of it.

Staff in CP may under no circumstances accept such invitations.

#### 3.4.2 Invitations to events consisting primarily of entertainment and “Special Events”

For invitations to events consisting primarily of entertainment, meaningful reasons must be given and written approval obtained in accordance with the monetary thresholds laid down in section 1.3.4. For events that are purely for entertainment or clearly primarily consist of entertainment, strict conditions are to be applied as to the business necessity of attending, and/or the business purpose pursued by attendance.

Approvals granted are to be documented in the form “Notification of invitations accepted” at divisional unit level. If, in exceptional circumstances, the approval cannot be obtained before the invitation is accepted, the employee may themselves decide on the basis of the aforementioned criteria and obtain the required approval afterwards.

Should a staff member accept an invitation under the aforementioned conditions, he or she must ensure that any travel and/or accommodation expenses are not paid by the inviting party.

For Munich, events primarily consisting of entertainment (and “Special Events” as described under 2.6.3) are to be declared for tax in Germany as wage payments from a third party. The company will pay the tax payable on

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<sup>12</sup>Staff in CP, for example, must obtain the consent of their superior in advance.

the invitation for the employee if their attendance serves a business purpose. For that reason, approvals are to be obtained as per section 1.3.4, and the corresponding form (Notification of invitations accepted) sent to HR giving meaningful reasons for the acceptance of the invitation.

An exception to this rule applies to staff in CP, who are prohibited from accepting such invitations.

### 3.4.3 Invitations to professional events and seminars

Approval must be obtained in accordance with the approval process laid down in section 1.3.4 for invitations to professional events and seminars that are usually subject to fees, or for which a market price can be estimated.







This also applies if a staff member intends to accept an invitation, from a business partner/service provider, to a different event (summer/autumn party, business anniversary, etc.) that is comparable to an invitation to a fee-based entertainment. Approvals granted are to be documented in the form "Notification of invitations accepted".

### 3.4.4 Special case: Invitations to speak at external events

If a speaker is asked, in the service of the company, to lecture at an external event, the rules on business travel and working hours apply. The fee is to be paid to the speaker's employer.

If the speaker has a personal interest in giving a lecture offered by the event manager, the time spent is not deemed as working time. Any travel or accommodation costs are to be borne by the staff member or event manager. In such cases, the speaker may keep the fee. The responsible HR Business Partners or HR Consultants are to be contacted before a decision is taken in a specific case.

## 3.5 Summary: Accepting benefits

| From             | Type  | Value (per giving/receiving person) |   |     |     |  |       |   |  |  |
|------------------|---|-------------------------------------|---|-----|-----|--|-------|---|--|--|
|                  |   | 0                                   | 40  | 100 | 250 | 500  | Euros |   |  |  |
| All              |  Gifts   | ✓                                   | Acceptance of "modest" gifts permitted; <sup>1</sup> no tax implications as long as monthly value limit not exceeded                                      |     | ✓   | IO <sup>2</sup> Not for private use; if appropriate, to be disposed of or kept at MR; approval of ML2 <sup>3</sup> required if to be used by staff member<br>Head of foreign branch, local ML1 at affiliated companies; to be documented; benefit in kind to be declared for tax |       | ✗ | To be approved by ML1 <sup>4</sup> or by Compliance; <sup>5</sup> Board members of affiliated companies; to be documented                                      |  |
|                  |  Business meals  | ✓                                   | No approval required if conforms to normal business practice and "socially accepted" principle <sup>1</sup>   |     | ✗   | To be approved by ML2, <sup>3</sup> head of foreign branch or local ML1 of affiliated company; pertinent reasons to be given, documentation required   |       | ✗ | To be approved by ML1 <sup>4</sup> or by Compliance; <sup>5</sup> Board members of affiliated companies; pertinent reasons to be given, documentation required |  |
|                  |  Invitations consisting primarily of entertainment               | ✗                                   | To be approved by ML2, <sup>3</sup> head of foreign branch or local ML1 of affiliated company; business purpose required for attendance, to be documented |     | ✗   | To be approved by ML1 <sup>4</sup> or by Compliance; <sup>5</sup> Board members of affiliated companies; business purpose; to be documented  |       |   |  |  |
|                  |  Special Events e.g. Formula One, VIP boxes, soccer, Oktoberfest | ✗                                   | To be approved by ML2, <sup>3</sup> head of foreign branch or local ML1 of affiliated company; business purpose required for attendance, to be documented |     | ✗   | To be approved by ML1 <sup>4</sup> or by Compliance; <sup>5</sup> Board members of affiliated companies; business purpose; to be documented  |       |   |  |  |
|                  |  All gifts and benefits  | ✗                                   | Prohibited unless prior approval of Compliance <sup>5</sup> obtained  |     |     |  |       |   |  |  |
| All <sup>7</sup> |  Cash and cash-like benefits                                     | ✖                                   | In principle prohibited <sup>2</sup> ; exceptions only with prior written approval of Compliance <sup>5,7</sup>   |     |     |  |       |   |  |  |

- Staff in CP may not accept any gifts or hospitality; business meals only according to normal business practice and with prior approval of superior
- The acceptance of gifts of up to €100 does not require approval for foreign branches and affiliated companies
- MR AG Management Level as per organisational charts in MR Web; ML2, ML1 and Board of Management self-approval
- MR AG Management Level as per organisational charts in MR Web
- Group Compliance (GComp) for MR Munich, local Compliance unit for branches and affiliated companies
- Including suppliers, external service providers and public officials
- Special rules for employees of Schloss Hohenkammer GmbH in the "Schloss" business model.

## 4 Updating the Guideline

This guideline is to be reviewed annually by GComp, who will make any editorial or minor amendments as required. Significant amendments must be approved by the MR AG Board of Management.

## 5 Entry into force

This guideline enters into force on 25 January 2017 and replaces the previous "Guidelines for Gifts and Hospitality" (2008) as well as the "Guideline on Gifts and Hospitality" in the Blue Collection.

| Document history |            |                  |  |
|------------------|------------|------------------|--|
| Version          | Date       | Amended by       | Amendments/comments                          |
| 2.0              | 25.01.2017 | Miriam Jungwirth |  |
| 2.1              | 03.07.2017 | Miriam Jungwirth | Editorial amendments in sections 2.6 and 3.4 |