

# **Guidelines on Incentives**

Last updated: 1 August 2013

Issued by: ERGO Compliance unit (COED)

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## A. Introduction

(1) The Guidelines on Incentives (henceforth referred to as 'Guidelines') are intended for all management staff and salaried employees, both in-house and in the field, (hereinafter referred to collectively as 'employees') of ERGO Versicherungsgruppe AG and its companies in Germany and abroad. Where self-employed sales agents are affected by these Guidelines, this is explicitly mentioned.

Where companies are not integrated into ERGO Group's central organisational structure (sales management, procurement and event management), the Guidelines provide binding rules for the proper organisation and handling of incentives. Minimum standards defined by the ERGO Compliance unit further substantiate these requirements. The minimum standards are to be implemented accordingly by these companies. It is only permitted to deviate from these rules if local legal and/or tax requirements force it. Any deviation must be approved in advance by the ERGO Compliance unit.

The Guidelines specify the requirements of ERGO's Code of Conduct and the ERGO Code of Conduct for self-employed sales agents. They contain mandatory requirements on the announcement, content and organisation of incentives and events with incentive elements.

(2) Incentives must be in line with ERGO's Guiding Principles and the Company's strategic objectives. They have impact on the public perception and can pose a substantial risk to our reputation. Incentives which may cause damage to ERGO Insurance Group's or Munich Re's reputation must be avoided.

The time outside of the official programme (leisure time) is also a part of incentives. ERGO's principles of integrity and appropriate behaviour in public set out in the ERGO Codes of Conduct are also binding during leisure time.

(3) The ERGO Group reserves the right to refuse payment/reimbursement in part or in full for incentives if these Guidelines are not adhered to. Violation of the Guidelines may also lead to consequences pertaining to labour law.

## B. Incentives

### I. Definition

(1) In the context of these Guidelines, incentives are any motivational rewards, be they financially or non-financially, tangible or intangible, intended to reward employees or third parties for their achievements and/or to motivate them to further achievements. Commission and bonuses agreed in contracts are not classed as incentives.

Third parties may be:

- Self-employed and tied agents of an ERGO company, in Germany according to Section 84 of the German Commercial Code (*HGB*)
- Brokers
- Other sales partners (e.g. multiple agents and co-operation partners)
- Other individuals who have entered into a business relationship with ERGO
- Employees in other business units or other companies belonging to ERGO

The rules set out in these Guidelines are also valid for incentives announced by third parties or independent sales agents but financed in part or in full by ERGO (e.g. in the form of subsidies towards organisational costs).

Incentives include:

- (Incentive) trips (with or without overnight accommodation)
- Events/conferences with incentive elements (with or without overnight accommodation)
- Other purely or mostly incentive-based events for third parties, with no competition or conference involved
- Non-cash or cash prizes

Non-cash or cash benefits received by sales agents due to a change in status of their agency (career system) are not incentives in the sense used in these Guidelines.

The same applies to conferences and training courses exclusively designed to impart specialist or sales knowledge and which do not contain incentive elements.

The awarding of incentives to brokers is subject to particularly strict criteria. Awarding incentives and subsidies for incentives requires prior approval in writing by the ERGO Compliance unit.

(2) Salaried employees and self-employed agents of ERGO companies may only participate in incentives organised by cooperation partners or other external product providers exclusively for salaried employees and/or self-employed agents of ERGO companies if they comply with the requirements of these Guidelines.

Salaried employees and self-employed agents of ERGO companies participating in external events at which not only ERGO employees and/or agents are present must comply with ERGO's principles of integrity and appropriate behaviour in public set out in our Codes of Conduct.

### II. Rules on selecting, planning and organising incentives

#### 1. General rules

(1.1.) Attending nightclubs, late bars, brothels, table-dancing bars or similar establishments offering erotic or sexual entertainment is forbidden, as is visiting gambling casinos.

(1.2.) Activities which significantly increase the risk of accident, e.g. free climbing, bungee jumping or rafting, are not permitted. The same applies to motor sports such as car, motorbike and go-kart racing. Attendance of such events as a spectator is allowed. Guided tours in cars and on motorbikes are permitted.

(1.3.) No cash (e.g. as pocket money) is to be handed out on incentive trips. Only the trip attendants may have access to cash advances; this may not be passed onto an incentive participant. The cash advance must be paid into the attendant's bank account in advance and may not be given to him or her cash in hand.

This cash may only be used to pay for small items on site during the incentives (refreshments, taxis, tips). The maximum to be paid out in this way per participant over the course of the incentive is 150 euros. The attendants must provide evidence of how the cash was spent at the end of the incentive. The purpose of use must be clearly recognisable. If an invoice is provided as a receipt, the invoice must be made out to ERGO Versicherungsgruppe AG in Germany. Self-provided receipts will only be accepted for tips and miscellaneous expenses for which an invoice cannot be made out to ERGO. The receipt should be attached to the self-provided receipt where possible.

(1.4.) Journalists may only be hired for an incentive event if the External Communications Department agrees to this in advance.

(1.5.) The gross budget for an incentive is made up of the following components:

- Travel to and from the destination and overnight accommodation for all participants including the attendants, participating members of the Board and other accompanying persons
- All meals including drinks for participants and attendants
- The cost for the supporting programme
- The cost of presents and payments made in cash
- All costs involved in organising the trips, including any advance inspection visits
- Production costs: graphics, printing, technical equipment, permits and licences etc.
- All other external costs, e.g. external travel agencies or other external service providers
- Any insurance premiums required
- Tax subsidies and any additional wages or lump sum taxes to be covered by the Company.

As non-cash benefits, incentives are taxable at the rate of their monetary value. The unit initiating the incentive is responsible for making sure the appropriate tax is paid.

(1.6.) In the case of the incentives mentioned in the Appendix, the maximum threshold amount per participant must be adhered to regardless of total budget. The maximum amount per person includes VAT and all components stipulated in section 1.5. but does not include tax subsidies, lump sum taxes or wage taxes (net), or the cost of the attendants.

## **2. Principles governing the announcement of incentives as competition prizes**

(2.1.) Incentives which are prizes for competitions are to be announced with details of the competition. The competition targets and people invited to take part in the competition have to be made clear in writing and have to be quantifiable. The announcement of any incentives without written documentation (i.e. with an informal handshake) is forbidden.

(2.2.) Competitions have to be announced such that people with the same function receive the same competition details. The competition announcement must apply equally to all participants from the same business unit. Different targets and rewards are possible according to performance level or participant group. Specialist and contractual core activities may also be taken into consideration.

(2.3.) Announcements of competitions may be carried out centrally, i.e. by the responsible Board member in charge of Sales, or locally, i.e. by a Sales Head Office, Branch Office, Regional Head Office or Sales Division (ERGO Pro). Central announcements are to be prepared in agreement with the organisational unit Sales Management.

(2.4.) Participation in competitions is voluntary.

(2.5.) Announcements of a competition may only be prepared by employees bound by instruction who are charged with the announcements and organisation of incentives and who are regularly involved with these duties. The Guidelines must also be adhered to if self-employed agents request the announcement of a competition for a subordinate organisation. The employees in charge must ensure this compliance.

(2.6.) Should a self-employed agent receive a budget for his or her own use (e.g. an organisation fund), he or she must comply with the Guidelines for incentives fully or partially financed out of this budget. This also applies when ERGO directly finances the incentive. The respective Board member in charge of Sales is to ensure this by giving appropriate instructions to its employees and by appropriate checks. The respective Sales Director, or the manager one hierarchical level up, must be informed if announcements of a competition are to be issued by a self-employed agent using financial resources of an ERGO company.

In ERGO Pro companies abroad the respective Managing Director is to be informed.

(2.7.) The announcement of the competition must contain a defined period. The incentive must already have been determined at the time the competition is announced. The competition details should already have been finalised before the beginning of the competition period; a maximum of 20 percent of the competition period may have elapsed.

(2.8.) Cash prizes are not permitted. Monetary prizes may only be awarded via bank transfer or handed over as cheque.

(2.9.) Competition details and the incentive choice are to be documented by the organisational management in charge. A list of the following data has to be kept:

- Type and content of the incentive
- Time and location of the incentive
- Incentive itinerary (incl. allocation of time slots for mixed events)
- Name of the person responsible for the planning and organisation of the incentive
- List of participants with their addresses and job titles. Attendants should be marked as such on the list
- Budget and invoiced actual costs

The list must be set out in such a way that an overview of all past and planned, central and local incentives can be compiled for the respective year at any time. The ERGO Compliance unit has full inspection rights at any time.

### 3. Specific requirements for incentive trips

(3.1.) All countries within Europe (geographically), the Canary Islands and Turkey (including the area on the Asian continent) are approved destinations for incentive trips. Trips to neighbouring Mediterranean countries not within Europe are not allowed. When planning trips, relevant travel warnings and safety advice are to be observed, e.g. from the German Federal Foreign Office.

(3.2.) Incentive trips may include up to three overnight stays. As an exception, package trips may include up to four overnight stays. However, this must be approved in writing in advance by the respective member of the Board responsible for Sales and the ERGO Compliance unit.

(3.3.) Incentive trips for self-employed sales representatives and/or executive employees must allow for spouses/life-partners (henceforth 'partners') to take part<sup>1</sup>. Incentive trips for non-executive salaried employees should also make this allowance. This information has to be included in the announcement of the competition. Third parties may not be invited to take part or take the place of partners. The same maximum threshold amount is valid for partners as for winners, should they take part.

(3.4.) The incentive trip will take place if at least eight winners take part. The partners of at least 50 percent of the incentive winners taking part should also take part. If this is not the case, the trip may be cancelled. The decision as to whether the trip should go ahead is to be made by the respective member of the Board responsible for Sales together with the ERGO Compliance unit.

Late-notice and unforeseen cancellations by individual participants, e.g. due to sudden illness, do not lead to the trip being cancelled, even if they result in less than the minimum number of winners or partners taking part.

The value per winner of the trip – less cancellation fees – may be paid out to the winners in cash if less than eight competitors win despite reasonable chances. This is also the case if the trip is cancelled due to too few partners taking part. The cost of the partners' participation is not paid out.

No right to payment exists.

(3.5.) The total number of winners and partners taking part forms the basis to calculate the appropriate number of attendants. One attendant may take part for every eight participants, including one attendant for the remaining participants if the number of eight is not reached (note: this is the number of attendants allowed. Please take note of possible tax implications concerning attendants when calculating the budget). Attendants are employees or third parties taking part in the incentive for supervision and support purposes as part of their professional duties only.

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<sup>1</sup> This rule does not apply to incentive trips for trainees.

Attendants supervise and organise the incentive. They may be:

- (Sales) in-house staff
- Internal event management staff
- Employees of external service providers (particularly travel agents), providing they genuinely travel only as organisers

Any Board members, executive and salaried staff who take part during the whole trip are also classed as attendants. Board members and executive managers travelling for the entire duration of the incentive have the option of taking their partner with them.

If less than 40 participants take part in the incentive trip, a member of the Board or executive manager may take part in addition to the allowed number of attendants.

Board members, internal staff, partners of Board members and executive managers and others (e.g. external service providers, guest speakers) joining the trip do not increase the number of attendants allowed.

The number of attendants allowed always has to be adapted to the actual number of winners and their partners taking part.

#### **4. Specific requirements for conferences with incentive elements and for other incentive events**

(4.1.) Conferences with incentive elements may only take place within Germany. Conferences with delegates from ERGO companies abroad may take place at international ERGO locations, provided that more than 25 percent of the delegates are from international ERGO subsidiaries.

(4.2.) Conferences with incentive elements may include a maximum of one overnight stay. Annual conferences with incentive elements (e.g. kick-off event) may include a maximum of two overnight stays. A maximum threshold amount applies to the costs of the incentive elements per delegate and per event (Appendix).

(4.3.) If, due to long-distance travelling arrangements, it is necessary for certain participants to stay overnight the evening before the conference, this is not counted towards the maximum number of overnight stays. Long-distance in this

sense would be if the participant would have to set off before 5:30 a.m. on the day of the conference.

(4.4.) It is possible to invite partners to conferences with incentive elements if:

- The professional parts of the conference take place without partners
- No accompanying programme is put on for the partners
- Only the incentive elements involve the partners
- The permitted maximum threshold amount is observed (the maximum amount must include the costs of both the participant and his/her partner)

(4.5.) Other primarily incentive-based events (> 50 percent of the time) which are not part of a competition and include at least one overnight stay should only take place if the partners of at least 50 percent of the participants also take part<sup>2</sup>. Otherwise, the event may be cancelled. The decision as to whether the event should go ahead is to be made by the respective Board member in charge together with the ERGO Compliance unit.

If the event is cancelled, the value of the incentive (not including the amount payable for partners and less cancellation fees) may be paid out to the participants. No right to payment exists.

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<sup>2</sup> This rule does not apply to incentives for trainees.

### III. Procurement of incentives

(1) The ERGO Guidelines for the Procurement of Goods and Services is valid for the procurement of incentives subject to the following regulations.

(2) Incentives are divided into two categories:

- Category 1: = **Central responsibility for organisation**

This applies to incentives initiated and implemented centrally by in-house (sales) units at ERGO's Head Office locations (e.g. Düsseldorf, Hamburg, Cologne or Munich for Germany). This includes, for example, an annual kick-off event for a sales channel and centrally managed incentives.

The respective in-house unit is to contact the event management unit which will take on the tasks of planning, organising and procuring the incentive in collaboration with the central purchasing unit.

- Category 2 = **Local responsibility for organisation**

This applies to incentives which are not initiated centrally by in-house (sales) units at Head Office locations, e.g. incentives at Regional Head Office level.

The respective manager obtains prior approval from his line manager or the next hierarchical level). This authorisation must be documented.

Authorisation is not required for incentives where the costs per winner do not exceed 250 euros (incl. VAT) and total costs for the incentive do not exceed 3,000 euros (incl. VAT).

All locally planned incentives are procured and organised using the methods designed by the event management team and the central purchasing unit.

(3) For planned incentives, ERGO Pro companies outside of Germany have to obtain the prior approval of the responsible ERGO in-house unit in Germany (at present ERGO Pro Sales Head Office).

### IV. Exceptions to these Guidelines

Exceptions to/deviations from these Guidelines can only be approved by the respective ERGO member of the Board together with the ERGO Compliance unit. If these two parties are unable to reach an agreement on whether the exception should be allowed to go ahead, the entire ERGO Board of Management is to take the decision.



## C. Other rules

Linking an incentive or business trip to a personal trip/private holiday at the incentive destination is only possible in exceptional cases and always requires prior authorisation from the participant's direct line manager/the respective sales executive manager.

He/she may only approve such plans providing the incentive/business trip does not lose its business character through being linked to a private trip. This is the case when the length of the professional part of the trip exceeds the length of the private part, and the business trip is not booked or strategically timed in order to allow for the private trip or holiday and its link to the business trip.

If the line manager approves this link, the participant must pay his/her own costs for the private section of the trip. The travel costs will only be paid by the employer if the private journey/stay does not incur any extra costs to the incentive/business trip without the private section.

Please note, private travel/stay is not covered by the Employers' Liability Insurance Association.

A private extension of the incentive trip paid for by all participants is not permitted. An inadmissible private extension is also deemed where a group of individual participants travel to the destination together in advance or stay longer after the incentive as a private holiday.

## Appendix



### Maximum threshold amounts for incentives

Incentives	Maximum threshold (incl. VAT)*
Incentive trips including overnight stays organised centrally	
<ul style="list-style-type: none"><li>"TOP Clubs"</li></ul>	€ 2,500 per participant
<ul style="list-style-type: none"><li>Others</li></ul>	€ 2,000 per participant
Incentive trips including overnight stays organised locally	€ 1,500 per participant
Kick-off events or other annual conferences	€ 1,000 per participant
Conferences with incentive elements (incl. or excl. overnight stay)	Maximum threshold for incentive aspects € 250 per participant (including partner)

\*The maximum threshold amounts will be reviewed on an annual basis and adjusted where necessary to take inflation into account. The maximum threshold amounts include VAT at its current valid rate, but exclude costs for tax subsidies as well as flat-rate or net wage taxation. In the international companies of ERGO Pro for the maximum threshold amount the exchange rate at the time when the competition details of the incentive are published for the first time is applicable.