

Foreword by the Chairman of the Executive Board

From a strategic standpoint, it is absolutely essential for us to position Hannover Re in the market in such a way that we can operate successfully in the prevailing more challenging business climate. In so doing, we must consider not only the necessary short-term success, but also lasting success from the medium- and long-term perspective. This was a point of emphasis in formulating our vision for the new strategy cycle 2015 to 2017 – "Long-term success in a competitive business".



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Ladies and gentlemen,

The 2015 financial year was an exceptionally successful one for our company. The Group net income of EUR 1,150.7 million was the highest to date in company history and surpassed the one billion mark for the first time. Our two business groups of Property & Casualty and Life & Health reinsurance contributed in equal measure to the result. This performance is all the more gratifying because market conditions for Reinsurers remained challenging in the year just ended and, furthermore, the protracted low level of interest rates limited our potential returns on the investment side. Particularly in property and casualty reinsurance, the market environment was notable for its intense competition and associated rate reductions. Of crucial significance here has been the fact that losses due to natural catastrophe events were lower than anticipated over the last four years, prompting a growing inflow of capacity into the markets both from traditional reinsurers and in the form of so-called alternative capital from pension and hedge funds as well as other investors. Our very good market position, our long-standing stable customer relationships and our robust financial strength ratings have nevertheless enabled us – even in this difficult climate – to continue to write business selectively and at conditions that meet our margin requirements.

From a strategic perspective, it is absolutely essential that we position Hannover Re in the market in such a way we can operate successfully in the present more challenging business environment. In so doing, we need to have an eye not only to the necessary short-term success, but must also strive just as much for sustainable success over the medium and long term. This was a primary point of emphasis in defining our vision for the new strategy cycle 2015 to 2017 – "Long-term success in a competitive business".

Our Sustainability Strategy for the years 2015 to 2017 – elaborated as a complement to our Group Strategy – has been drawn up on the basis of a materiality analysis. It defines four action fields and additionally specifies 14 concrete goals and 42 measures. In 2015 we have already taken the first steps towards achieving the goals that we set ourselves:

As far as our core business is concerned, in the growing market for microinsurance products we intensified our cooperation with primary insurers in Pakistan, the Philippines and Indonesia. Furthermore, the protection of agricultural production is of considerable relevance to the development of more deprived regions. In the year under review, therefore, we continued our cooperative efforts with government and international organisations to expand agricultural insurance. We have encouraged the development of products in response to climate change, such as weather insurance and coverage for energy-saving warranties, inter alia by supporting the extension of energy-saving warranties to other European countries. Through our activities in the area of Insurance-Linked Securities (ILS) we take an active part in the development of index-based Disaster Finance concepts, which guarantee rapid financial aid for countries in South America and Asia in the

aftermath of natural disasters. In this way we are responding systematically to changing global risk structures and we are playing a vital role in helping to increase insurance density, not only in mature but also in developing and emerging markets.

In life and health reinsurance demographic changes around the world are leading to stronger demand for reinsurance in the area of longevity solutions. We are also seeing rising demand for so-called lifestyle insurance products, where the premium is linked to an insured's healthy lifestyle (e.g. fitness and nutritional habits). Demand for these products, which are similarly reinsured by Hannover Re, is particularly lively in Australia, South Africa and the United States.

Economic, environmental and social sustainability forms the cornerstone of our Group's continued stable business development and is crucial to the expansion of our position as one of the leading globally operating reinsurers. In addition to keeping a close eye on growth opportunities and the insurability of emerging risks (such as cyber risks and renewable energies), the industry is increasingly turning its focus to new competitors and innovative business models (InsurTechs).

"Journey Re", the project launched as part of our Global Management Forum 2015, takes aim at just such future topics. One of the project objectives is to identify new and profitable growth sources in both business groups of Property & Casualty and Life & Health reinsurance and to work in concert with young specialists from various countries at the Berlin, Boston, Dublin und Johannesburg locations on the development of innovative and disruptive business models for reinsurance.

We also set great store by sustainability in the management of our investments. With this in mind, in the year under review we appointed a responsible ESG (Environmental, Social and Governance) officer on the investment team. Not only that, the existing ESG Investment Policy was refined and supplemented with a best-in-class investment approach. Altogether, around 90% of our investments are screened half-yearly on the basis of ESG criteria.

Our staff are crucial to the success of our company. We have made it our goal to support their health, foster their skills and qualifications and encourage their diversity. The setting up of two new working groups to arrange counselling opportunities for employees experiencing personal crises and to ensure re-entry into the workplace after illness is just one example of this aspiration. In addition, we have embarked on another round of our mentoring programme for women, which is intended to enable female employees of our company to play an active part in shaping their future career path.

The reduction of environmental impacts from our business activities is another of our goals. We wanted to operate on a climate-neutral basis by the year 2015. We achieved this goal to a level of 97% both through concrete measures such as the changeover to green energy

and by paying offsets for all business travel. The remaining 3% derives from the use of district heating that has not yet been offset as well as from our paper consumption. Continuous improvement in this field is an integral component of our Environmental Management System. The latter was successfully recertified in the year under review in accordance with the international standard ISO 14001. For the current 2016 financial year we are planning to change over to an environmental statement in conformity with the more extensive EMAS (Eco-Management and Audit Scheme) guidelines including appropriate validation.

With the release of the present Sustainability Report on the 2015 financial year Hannover Re is publishing information on social, environmental and governance issues within the Group for the fifth year in succession. Our report was once again compiled on the basis of the internationally recognised guidelines of the Global Reporting Initiative (GRI) including the supplementary Financial Services Sector Disclo-

tures – for the first time this year in accordance with Version 4.0 (G4) and its greater focus on "materiality" for the reporting organisations. The current report therefore reflects even more clearly than before the topics and challenges that are material to our sustainable development.

I hope you will enjoy reading this report and would welcome your engagement in a dialogue with us.

Yours sincerely,



Ulrich Wallin
Chairman of the Executive Board