



Governance and Dialogue

A Chinese proverb says: "To open a shop is easy; to keep it open is an art". Rightly so: regulatory hurdles and intense competition have long made China a challenging target market. Yet Hannover Re has been involved in this market for more than forty years, with its oldest treaty dating back to 1971. It has had a local presence for some 25 years: in Hong Kong since 1990 with a service office and since 1999 with a branch, and also in Shanghai since 2008 with another branch. Today, our staying power is paying off: Hannover Re has expanded vigorously in China over the past ten years.

Governance and Dialogue

As an internationally operating company, Hannover Re bears responsibility in various senses. This is true of its compliance with relevant laws and regulations, but also applies to its relationship with staff, shareholders, the public at large and the cultures within which the company operates. Hannover Re publishes an annual Declaration of Conformity with the German Corporate Governance Code (DCKG) in this regard. Compliance with our high ethical and legal standards is also enshrined in our Code of Conduct, which we updated in 2015.

In accordance with applicable company law, the two-tier governance structure of Hannover Re – the management of business by the Executive Board and the provision of oversight and advice by the Supervisory Board – contributes to responsible corporate governance.

Our compliance structures support adherence to laws and directives, e.g. governing respect for human rights, prevention of corruption, observance of sanctions and protection of customer data. Regular training and communication activities keep Hannover Re staff informed about relevant regulations.

Hannover Re's proven risk management contributes to the long-term success of our company. It encompasses the early detection, assess-

ment and examination of risks associated with not only financial matters but also non-financial issues, such as climate change. Through established structures and responsibilities we ensure the correct evaluation of the risks that we enter into.

Given that the trust of our stakeholder groups and an immaculate reputation support the success of our company, we also make every effort to cultivate an active dialogue with representatives of the capital market and society as a whole as well as with our clients and staff. In the present Sustainability Report 2015 we are again reporting on our achievements as a responsible enterprise. In so doing we follow the currently applicable and internationally recognised guidelines of the Global Reporting Initiative (GRI). That our sustainability communication also fulfils the transparency requirements of ESG rating agencies is reflected in a favourable rating: in 2015 Hannover Re's sustainability performance was again evaluated by the rating agency Oekom Research; our company was awarded "Prime" status in recognition of its above-average fulfilment of industry-specific requirements. In addition, in June 2015 Hannover Re received confirmation of its inclusion in the worldwide FTSE4Good Index Series from the FTSE Environmental, Social and Governance Advisory Committee.

More information on the topic at






-  [AR 2015: Corporate Governance](#)
-  [AR 2015: Compliance](#)
-  [AR 2015: Opportunity and risk report](#)
-  [Website: Philosophy Hannover Re](#)

Responsible enterprise management

State-of-the-art corporate governance is embodied by Hannover Re as a matter of course. In addition to constant engagement with changing legal framework conditions, we provide annually a Declaration of Conformity with the German Corporate Governance Code that can be accessed on the company's website. Furthermore, the Corporate Governance Principles of Hannover Rück SE undergo regular updating and reflect the recommendations contained in the latest version of the German Corporate Governance Code as amended. The rules defined in our Code of Conduct also reflect the high ethical and legal standards that guide our actions worldwide.

As a listed European joint-stock company (SE) based in Hannover, Hannover Re is subject to SE-specific laws – as well as German laws governing stock corporations and the capital market – and laws on co-determination, especially the participation agreement concluded with the employees. The three governance bodies of Executive Board, Supervisory Board and General Meeting make up the governance structure of the undertaking. Their cooperation is regulated by law and by the company's Articles of Association.

More information on the topic at

-  AR 2015: Declaration on Corporate Governance
-  Website: Corporate Governance
-  Website: Declaration of Conformity
-  AR 2015: Remuneration report
-  Website: Compliance

Management structure

As a European Company (Societas Europaea – SE) based in Germany, the formal structure of corporate governance at Hannover Re is determined by national law. The fundamental hallmarks of corporate governance are a two-tier system with its transparent and effective split into the management of the company (Executive Board) and its oversight (Supervisory Board). Overall responsibility for enterprise management and Group-wide risk management as well as for the definition of the risk strategy rests with the Executive Board of Hannover Re. The Supervisory Board takes responsibility for advising and monitoring the Executive Board in its management of the company and also with respect to risk management. In accordance with the principle of co-determination, the Supervisory Board is made up of representatives of the shareholders and the employees. The shareholders exercise their rights of co-administration and supervision in the context of the General Meeting.

Composition of the Executive Board

The Executive Board of Hannover Re is composed of seven members, who are appointed by the Supervisory Board. Along with their qualifications, the Supervisory Board also pays attention to diversity in the selection of members of the Executive Board. In view of currently ongoing Board contracts, Hannover Re has set itself a target of zero for the quota of women on the Executive Board by 30 June 2017. In case of an appointment of a new member of the Executive Board, the Supervisory Board shall give preference to a potential female candidate in case of equal personal aptitude and professional qualifications.

Composition of the Supervisory Board

The Supervisory Board of Hannover Re consists of nine members. They are appointed for a term of office until the end of the General Meeting that ratifies the acts of management for the 2018 financial year. Pursuant to statutory requirements and the Participation Agreement, the employees are represented by three members. Given that members of the Supervisory Board cannot at the same time belong to

the Executive Board, a high degree of independence in the oversight of the Executive Board is assured.

When it comes to selecting the shareholder candidates who are proposed to the General Meeting for election to the Supervisory Board, care is taken to ensure that the individuals in question have the necessary knowledge, abilities and specialist experience. The anticipated commitment to a sustainable increase in the value of the company is similarly a central criterion in the selection of candidates. The principle of diversity is also taken into account when making a selection. Allowing for the term of appointment of the Supervisory Board, Hannover Re has therefore determined that it will achieve a target quota of 30% for women on the Supervisory Board by 30 June 2017.

In order to deal with complex matters and depending on the specific circumstances of the company, the Supervisory Board forms committees under its Rules of Procedure. These are currently the Standing Committee, the Finance and Audit Committee and the Nomination Committee. Appointments to the committees are crucially guided by the respective specialist aptitude required by the committee members.

In addition, ad hoc training activities are held as necessary in order to further enhance the expertise of the Supervisory Board. Thus, for example, training was provided for the Supervisory Board in 2016 in connection with the implementation of the new solvency regime Solvency II.

Avoidance of conflicts of interest

The avoidance of conflicts of interest is ensured through the control mechanisms stipulated in law and in the Articles of Association that exist between the three governance bodies. In order to assure the provision of independent advice to and oversight of the Executive Board by the Supervisory Board, no more than two former members of the Executive Board shall belong to the Supervisory Board. Members of the Supervisory Board may not undertake any executive role or consulting functions at significant competitors of the company.

Avenues for dialogue on critical issues







As a general principle, all Hannover Re's stakeholder groups have the opportunity to report potentially critical issues to the company's highest governance body. Within the framework of Hannover Re's established governance structures, critical concerns – including in relation to sustainability matters – are communicated on an ongoing basis to both the Executive Board and the Supervisory Board.

The shareholders of Hannover Re exercise their co-determination right at the Annual General Meeting of the company, in particular

through the appointment of members of the Supervisory Board, the ratification of the acts of management of the Executive Board and the Supervisory Board, the resolution on profit appropriation and through their right to ask questions and obtain information.

The right of the employees to have their say in the company is ensured through the SE-Employee Council, the joint German Employee Council of Hannover Re and E+S Rück and through the three employee representatives on the Supervisory Board elected by this joint Employee Council.

More information on the topic at

-  AR 2015: Working practice of the Executive Board and Supervisory Board
-  AR 2015 : Further enterprise management principles
-  Website: Executive Board
-  Website: Supervisory Board
-  AR 2015: Report of the Supervisory Board
-  AR 2015: Supervisory Board Members

Corporate Governance Code




Since 2003 Hannover Re has provided an annual Declaration of Conformity with the German Corporate Governance Code (DCGK) which is published on the company's website and can be reviewed in the Annual Report of Hannover Re. Furthermore, the Corporate Governance Principles of Hannover Rück SE are regularly revised and reflect the recommendations of the Code as amended.

As an instrument of self-regulation for the business world, the German Corporate Governance Code – the latest version of which dates from 5 May 2015 – sets out recommendations and suggestions that are intended to maintain and foster the trust of investors, customers, employees and the general public in the management and supervision of German companies. Although the Code does not have binding legal force, the enterprises addressed by the Code are nevertheless required by § 161 Stock Corporation Act (AktG) to provide an annual declaration as to whether or not the recommendations of the Code were and

are complied with in the reality of the company's business activities. If recommendations were not acted upon, this is to be explained and disclosed as part of the Declaration of Conformity.

The positive attitude of Hannover Rück SE towards the Code is not contradicted by the fact that in the year under review the company did not comply with certain Code recommendations, since a well justified deviation from the recommendations of the Code may – as in the present cases – be very much in the interests of good corporate governance tailored to a particular company, i.e. by reflecting enterprise- and industry-specific features (cf. Foreword to the German Corporate Governance Code). Based on what is still a high degree of fulfilment of the recommendations and suggestions of the Code, Hannover Re continues to rank very highly among the companies listed on the DAX and MDAX.

More information on the topic at

-  AR 2015: Declaration on Corporate Governance
-  Website: Corporate Governance
-  Website: Declaration of Conformity

Remuneration and performance review

The correlation between the performance of Hannover Re and the remuneration of the governance bodies is assured by a remuneration scheme with two components: fixed salary / non-cash compensation and variable remuneration. The bases for measurement of the variable remuneration extend over several years, thereby promoting the sustainable development of the company.

The profit- and performance-based remuneration (variable remuneration) is contingent on certain defined results and the attainment of certain set targets. The set targets vary according to the function of the Board member in question.

The remuneration scheme for the members of the Executive Board was presented at the General Meeting 2012 and put to the vote. The shareholders were thus given an opportunity in this forum to express their opinion on the remuneration scheme. The motion to approve the system of remuneration for the members of the Executive Board was adopted. Hannover Re draws upon the services of an external inde-

pendent consultant both with respect to the elaboration of the remuneration scheme for the members of the Executive Board and when it comes to making the annual horizontal comparison with the benchmark environment.

In accordance with Item 5.6 of the German Corporate Governance Code a procedure is also carried out at regular intervals to evaluate the efficiency of the Supervisory Board; the purpose is to review the efficiency of the Supervisory Board's work and explore potential options for improvement. In the context of this self-assessment each member of the Supervisory Board has the opportunity to evaluate the quality of the work currently performed by the Supervisory Board in anonymised form and to make suggestions for future optimisation.

Detailed information on the remuneration of the Executive Board, Supervisory Board and senior executives below the level of the Executive Board is published in the remuneration report within the Group Annual Report 2015.

More information on the topic at

 AR 2015: Remuneration report

 Website: Executive Board

 Website: Supervisory Board

Compliance

Integrity in dealings with our business partners, shareholders and the public at large is practised by Hannover Re as a matter of course. It is for this reason that both our strategic planning and our day-to-day business are always conducted on the basis of the highest ethical and legal standards. Our revised Code of Conduct, which was adopted by the Executive Board in August 2015, sets out internal rules of conduct that are applicable worldwide. Our Code of Conduct for Suppliers similarly requires our suppliers and subcontractors to comply with sustainability criteria.

Ensuring confidentiality, data privacy and data security is of the utmost importance to Hannover Re. The most significant rules in this regard are set out with binding effect for all members of staff in our Code of Conduct and in our information security and data privacy policies. Furthermore, our structures ensure that customer-related data is handled in conformity with the German Federal Data Protection Act (BDSG).

In addition, with the planned implementation of a "Tax Compliance System" and a review of all relevant task areas and responsibilities we

shall ensure that going forward, as in the past, Hannover Re pays its taxes in accordance with national statutory provisions.

Hannover Re has enshrined the observance of sanctions that may be relevant to the company in its Code of Conduct and Underwriting Guidelines. Furthermore, a Sanctions Screening Guideline, training activities for new staff, a compliance management system for sanctions and verification software facilitate the early identification and hence avoidance of any sanction violations.

Since June 2012 our DIN EN ISO 14001-certified environmental management system has been in place to protect the environment. During the current financial year we are also transitioning to the more comprehensive EMAS tool (Eco-Management and Audit Scheme). In the future, we intend to publish an annual EMAS environmental statement.

As far as our commitment to society is concerned, an internal national and international Donations Policy ensures that our social engagement primarily benefits the common good.

More information on the topic at



Environment and Society



AR 2015: Compliance

Code of Conduct

Along with the Corporate Strategy and Corporate Governance Principles, the Code of Conduct of Hannover Re sets out rules for how all employees of Hannover Rück SE are to behave with integrity and is intended to help them cope with ethical and legal challenges in their daily work. These rules, for example on the observance of human rights and combating corruption, reflect the high ethical and legal standards that guide our actions worldwide. We consider integrity in dealings with our stakeholders to be the foundation of a successful enterprise. Both in our strategic planning and in day-to-day business, we therefore aspire to live up to the highest ethical and legal standards; after all, the image of Hannover Rück SE is shaped by the demeanour, actions and behaviour of every one of us. The Code of Conduct of Hannover Re was revised and adopted by the Executive Board on 10 August 2015. The revised version of the Code of Conduct was communicated to all members of staff.

Since mid-2012 our Code of Conduct for Suppliers has also been in effect for extensive parts of the company at the Hannover location. Among other things, this requires compliance with environmental and

social standards and it forms an integral component of contracts when it comes to, for example, tendering and awarding infrastructure services as well as various construction works. Existing supplier relationships in the areas of Facilities Management and IT are also progressively checked for fulfilment of the Code of Conduct as part of an ongoing process.

As a complementary tool, an application-supported procedure has also been developed for self-reporting by suppliers and service providers that similarly includes criteria from the Code of Conduct. The procedure is now used on a regular basis by Facilities Management. In the context of an assessment carried out in 2014 all IT suppliers were contacted and evaluated on the basis of a checklist. This evaluation was stored in the supplier management system and will be factored into the selection of suppliers when placing future contracts; furthermore, these criteria are also used for the regular evaluation of suppliers. Contracts with critically assessed suppliers are not renewed; an early-warning system ensures that an adequate lead time is available to select and as necessary familiarise an alternative vendor.

More information on the topic at



Supplier management

Compliance structure and report

We consider an efficiently functioning compliance structure to be an essential tool for ensuring adherence to external rules and regulations as well as requirements imposed in-house. The compliance structure of Hannover Rück SE was therefore most recently reviewed in 2015 against the backdrop of compliance requirements associated with Solvency II.




At Hannover Re the Chief Compliance Officer as well as the Compliance Department ensure that employees are familiar with applicable laws, standards and other external directives. A worldwide compliance network of responsible compliance officers at the international locations supports the Chief Compliance Officer in his duties and reports directly to him. This means that local compliance violations can also be reported directly outside the local hierarchy. The Executive Board is updated on compliance issues in an annually compiled report.

With a view to improving cooperation within the compliance network on the European level, Hannover Re organises an annual gathering of European Compliance Officers. Supplementary to this, conference calls are held in the other quarters when the meeting does not take place. This brings about closer coordination and facilitates verification of the implementation of compliance measures.

The Compliance Unit is complemented by Compliance Committees, the members of which come from the business groups as well as from the areas of Legal, Finance, Accounting and Investments. The Compliance Committees examine contracts with a special eye to compliance with supervisory law, accounting requirements and other standards.

Adherence to internal company policies is safeguarded by the cooperation between the Chief Compliance Officer and other departments such as Group Auditing. A Web-based and anonymous whistleblower system has also been set up for the Group companies so as to enable employees, customers and third parties to report serious compliance violations in the respective local language or in English. Any tips and the resulting measures taken are included in the annual compliance report. In the year under review a tip was received through the Group-wide whistleblower system regarding alleged wrongdoing. After closer investigation, however, this conduct was found to be in conformity with the applicable rules. Employees throughout the Group are able to seek advice on compliance matters through an e-mail address linked to the Compliance Department.

More information on the topic at

-  [Supplier management](#)
-  [Organisation and process of risk management](#)
-  [AR 2015: Compliance](#)

Anti-corruption training

Irrespective of whether or not they belong to the ranks of management, all new members of staff at Hannover Re in Germany participate in our compliance training when they join the company; this covers, among other aspects, the topic of corruption and appropriate practices that are in conformity with the law. In 2015 three training activities were held for altogether 87 employees. In order to raise awareness among the workforce of compliance issues such as combating corruption, we use traditional communication channels including intranet portals and online newsletters. Particularly important in this context are e-mail circulars on the latest developments in financial sanctions and embargos that are sent to the affected departments and Local Offices.

Compliance Report

The Compliance Report for the 2015 calendar year was submitted to the Finance and Audit Committee in March 2016. The report describes the structure and wide-ranging activities of Hannover Re in this connection. The results of the separate data privacy reporting for the 2015 calendar year are also included in the Compliance Report. After in-depth explorations of topics such as directors' dealings, ad hoc and other notification obligations, the insider list, consultancy agreements, data privacy and international sanctions, the report concludes that only a few facts and circumstances were known that would suggest violations of compliance-related provisions. Altogether, six compliance-related incidents were reported. After extensive examination of these incidents the necessary precautions were taken in order to ensure for the future that Hannover Re is in conformity with the internal and external requirements governing its business activities. As a consequence of the incidents, internal audit measures were taken to improve the internal control system on the local level and at the interface between Home Office and branch as well as to monitor adherence to the corresponding guidelines more attentively.

A compliance risk analysis was carried out in the year under review in cooperation with the areas of Human Resources Management, Accounting and Taxation. As a result of this risk analysis, the identified risks of non-compliance and the steps taken to prevent non-compliance were documented and examined with an eye to their adequacy.

Legal framework

Hannover Re's Group Legal department continuously assesses requirements arising out of the applicable legal framework and monitors them with an eye to any relevant current developments. In the year under review we identified only one significant change in the legal framework conditions relating to ecological or social aspects.

Conduct of energy audits

By means of the Act on Partial Implementation of the European Energy Directive dated 15 April 2015 the Federal Republic of Germany enacted into law the mandatory conduct of regular energy audits at large enterprises. Under the legislation, large enterprises that have a turnover of more than EUR 50 million and employ more than 250 staff are now required to conduct an energy audit for the first time by no later than 5 December 2015 and every four years thereafter. An exemption from the obligation to carry out an energy audit is available solely for companies that have an energy management system in accordance with DIN EN ISO 50001 or for those that have successfully implemented a validated environmental management system as defined by the directive, known specifically as EMAS (Eco-Management and Audit Scheme), or have concrete plans to do so by the stipulated deadline. With this in mind Hannover Re decided in the year under review to convert its existing environmental management system according to DIN EN ISO 14001 to the more comprehensive environmental management system EMAS in 2016 and going forward to publish an annual environmental EMAS statement in the EMAS register.

More information on the topic at



Website: EMAS



AR 2015: Notes 7.5

Tax framework

As a globally operating reinsurance undertaking, Hannover Re is subject to the changing tax laws of the respective legal systems. We pay the incurred taxes according to the applicable legal provisions.

The tax expenditure of Hannover Re in the financial year was EUR 150.6 million higher than in the previous year at EUR 456.2 million (EUR 305.6 million). This increase is largely attributable to the sharp rise in pre-tax profits compared to the previous year. In addition, the raising of the trade tax multiplier for the City of Hannover led to an increase in deferred taxes. The effective tax rate amounts to 27.3% (22.3%).

In order to ensure that going forward, as in the past, tax returns can continue to be complete and filed on a timely basis, Hannover Re is currently working on implementation of a "Tax Compliance System". In this regard it is necessary to identify all relevant task areas and responsibilities, set out clear rules for them in a company-wide guideline and translate them into practice in the context of processes. The task areas in question are not exclusively those handled by the Taxation Department. Overall responsibility for dealing with tax matters rests with the Chief Financial Officer of Hannover Re.

Data privacy

Ensuring confidentiality, data privacy and data security is of the utmost importance to Hannover Re. The most significant rules in this regard are set out with binding effect for all members of staff in our Code of Conduct and in our information security and data privacy policies.

Furthermore, our structures ensure that customer-related data is handled in conformity with all laws. In this regard, Hannover Re's Data Protection Officer assumes all functions, responsibilities and rights as set out according to the German Federal Data Protection Act (BDSG).

More information on the topic at



Website: Compliance

His tasks include, among others, working to ensure adherence to provisions governing data privacy, e.g. monitoring the proper use of data processing programs that are used to process personal data. Sharing knowledge about data privacy and drawing up the annual activity report also form part of his scope of duties.

No complaints were received about privacy breaches affecting customer data or the loss of such data during the period under review. There was therefore no requirement to fulfil the duty to notify data breaches in the event of data mishaps pursuant to § 42a BDSG.

Sanctions

Observance of applicable sanctions plays a central role on account of Hannover Re's international orientation. Hannover Re has enshrined the requirement for compliance with sanction provisions applicable to the company in its Code of Conduct and Underwriting Guidelines. In addition, a Sanctions Screening Guideline is in place, stipulating when members of staff must perform sanctions screening with respect to the initiation of contracts and/or the payment of claims. A software-supported check continuously verifies whether the company's data inventories include the names of persons who are subject to sanctions and with whom no business may be transacted. In the year under review additional Local Offices were connected to this software-based screening tool. If the software alerts the user to any names, the reported alerts are investigated in a two-step process. If actual matches are determined between the company's data inventory and a relevant list, defined processes are followed in order to prevent contract formation or the payment of funds to listed individuals and the monies in question are frozen. The training given to new members of staff also includes a section on sanctions, with the result that all new employees at Home Office in Hannover receive basic instruction in sanctions law.

Underwriters and claims managers receive additional training in the use of the screening software as well as in the scenarios in which a sanctions check must be made. Further training activities are offered as needed and on an individual basis for affected departments. Each working day staff in Group Legal check the Official Journal of the European Union for changes in sanctions law on the EU level and publicise relevant changes Group-wide without delay.

Our Compliance Management System for sanctions was reviewed in the year under review by an external firm of auditors and consultants. No significant shortcomings were identified in this context.

The sanctions screening software identified one individual in the Group's data inventory in the year under review who is the subject of an assets freeze. An assets freeze was imposed on this individual in October 2015 and this immediately triggered an alert by the software. The policy was suspended at once and the incident was reported to the responsible authority. This incident demonstrates the effectiveness of the screening process.

Risk management

Our risk strategy, the Framework Guideline on Risk Management and the system of limits and thresholds for material risks of Hannover Re constitute the central elements of our risk management system. The steering of all material risks is the task of the operational business units. The monitoring of all identified material risks is a core task of Group Risk Management.

The parameters and decisions of the Executive Board with respect to the risk appetite of the Hannover Re Group are fundamental to the acceptance of risks. These are based on the calculations of the company's risk-bearing capacity. Through our business operations on all continents and the diversification between our Property & Casualty and Life & Health reinsurance business groups we are able to effectively allocate our capital in light of opportunity and risk considerations and generate a higher-than-average return on equity.

More information on the topic at



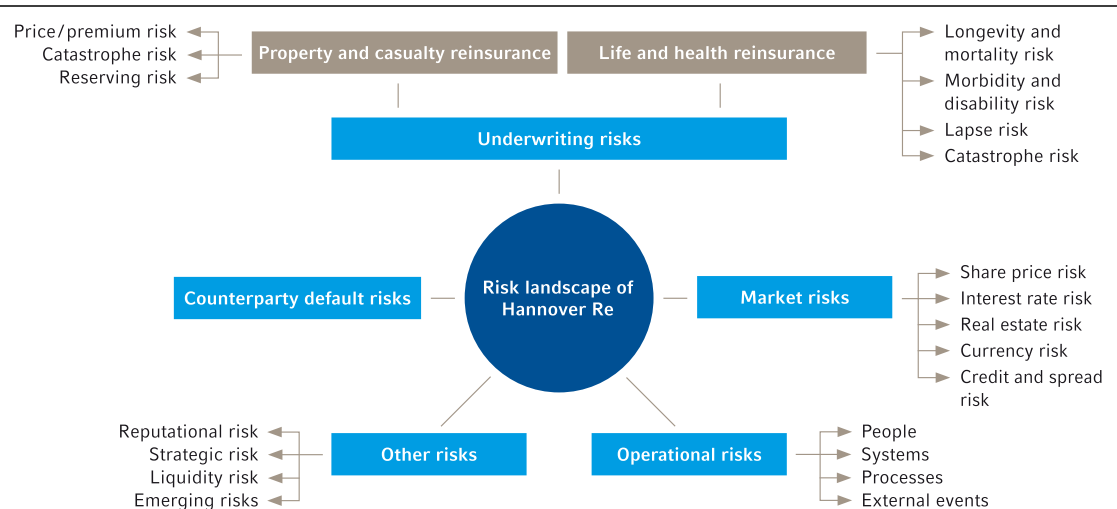
AR 2015: Opportunity and risk report

Risk landscape

The risk landscape of Hannover Re encompasses:

- underwriting risks in property & casualty and life & health reinsurance which originate from our business activities and manifest themselves inter alia in fluctuations in loss estimates as well as in unexpected catastrophes and changes in biometric factors such as mortality,
- market risks which arise in connection with our investments and also as a consequence of the valuation of sometimes long-term payment obligations associated with the technical account,
- counterparty default risks resulting from our diverse business relationships and payment obligations inter alia with clients and retrocessionaires,
- operational risks which may derive, for example, from deficient processes or systems and
- other risks, such as reputational and liquidity risks.

Risk landscape of Hannover Re



We make a fundamental distinction between risks that result from business operations of past years (reserve risk) and those stemming from activities in the current or future years

Emerging risks play a particularly important role for Hannover Re because the content of such risks cannot as yet be reliably assessed with respect to the treaty portfolio. It is therefore vital to detect these risks at an early stage and then determine their relevance. Emerging risks include those associated with so-called megacities as well as risks posed by pandemics, the use of nanotechnology and the rise in digitisation/cybercrime.

The internal working group on emerging risks and the natural perils risk management team also regularly examine and review the latest scientific insights into climate change. For us, as a reinsurer, climate change brings both risks and opportunities: on the one hand, we can anticipate increased demand for reinsurance services, while on the other hand the potentially elevated catastrophe risk may result in a greater financial burden for our company. Strategies for dealing with the risks inherent in such perils are of the utmost importance to our company in its reinsurance operations. It is for this reason that our department specialising in the coverage of agricultural risks and the "Business Opportunity Management" team (from 2016 onwards: "Innovation Management") work on products that can alleviate the financial impacts of climate change.

More information on the topic at

[AR 2015: Opportunity and risk report](#)

Organisation and process of risk management

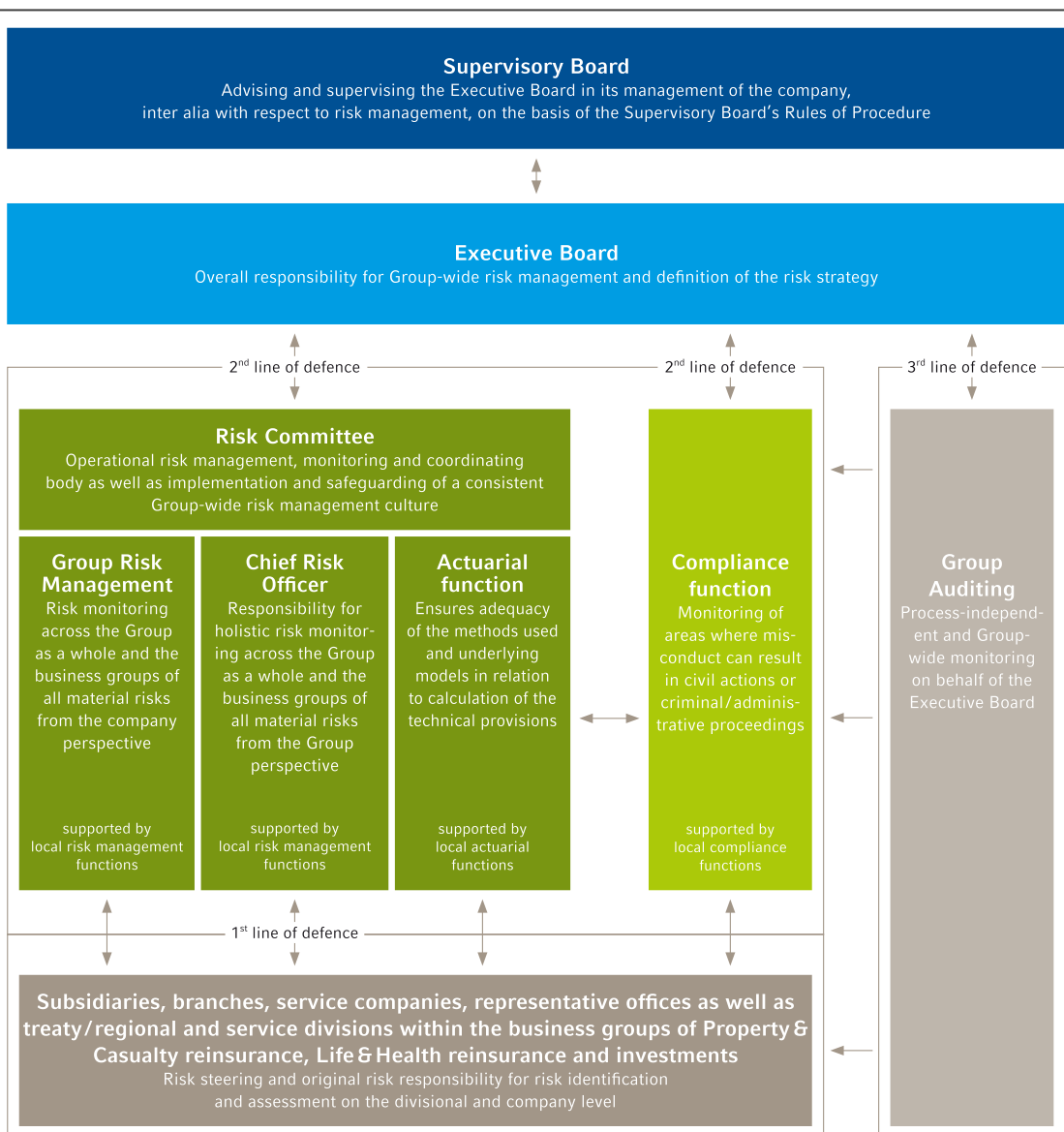
Hannover Re has set up risk management functions and bodies Group-wide to safeguard an efficient risk management system. The organisation and interplay of the individual functions in risk management are crucial to our internal risk steering and control system. Responsibility for Group-wide risk management and the risk strategy rests with the Executive Board. The Supervisory Board advises the Executive Board on matters of risk management – among other things – in accordance with its Rules of Procedure.

The central functions of risk management are closely interlinked in our system and the roles, tasks and reporting channels are clearly defined and documented in terms of the so-called "three lines of defence". The first line of defence consists of risk steering and the original risk re-

sponsibility on the divisional or company level. Risk management ensures the second line of defence – risk monitoring. It is supported in this regard by the actuarial function and the compliance function. The third line of defence is the process-independent monitoring performed by the internal audit function. Supplementary to this, Group-wide risk communication and an open risk culture are important to our risk management. Regular global meetings attended by the actuarial units and risk management functions serve as a central anchor point for strategic considerations in relation to risk communication and risk culture.

The following chart provides an overview of the central functions and bodies within the overall system as well as of their major tasks and powers:

Central functions of risk monitoring and steering



Sustainability risks and opportunities

For the purpose of early detection of emerging risks Hannover Re has had in place for many years an efficient process that spans divisions and lines of business and it has ensured its linkage to risk management. Operational implementation is handled by an expert working group assembled specially for this task. Along with the identification and evaluation of emerging risks, these specialists also focus on the analysis of global long-term trends. The working group reports quarterly on its findings to the "Emerging Risk Committee", which is led by a member of Hannover Re's Executive Board.

Key elements in Hannover Re's business opportunity management include its various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups. Innovative ideas from our staff that can be successfully translated into new business models are rewarded by the company – including in financial terms. The stand-alone organisational unit "Business Opportunity Management" (from 2016 onwards "Innovation Management" as part of the Unit "Regulatory Affairs & Innovation") has been set up specially for this purpose. This service unit deals systematically with ideas and business opportunities and it concentrates its activities on generating additional premium volume with profit potential. In this context, among other things, ideas for new business opportunities are evaluated and refined and optimal framework conditions for acting on them are put in place.

More information on the topic at

 AR 2015: Opportunity and risk report

 Website: BaFin

Risk capital (Solvency II)

A stable financial market is of vital importance both for global sustainable development and for us as a listed company. Particularly noteworthy in the period under review was the agreement reached in November 2013 on the implementation of Solvency II effective 1 January 2016. The Solvency II Directive has the principal goals of strengthening protection for insureds, creating consistent competitive standards in the insurance sector within the single European market and hence safeguarding uniform supervisory practice in Europe. At Hannover Re we have long practised a risk-based, value-based management approach of the type called for under the supervisory regime of Solvency II, and we were quick to begin preparing for the requirements of Solvency II. Our internal capitalisation targets comfortably exceed the regulatory capital requirements. Hannover Re is therefore well placed for the capital requirements under Solvency II. We also apply the know-how gained in the development of our internal capital model, which was approved by the Federal Financial Supervisory Authority (BaFin) in August 2015, to the design of individual reinsurance solutions for primary insurers.

Stakeholder dialogue

G4-24, G4-25, G4-26, G4-27

Hannover Re maintains an open dialogue with its stakeholders and has made the further systematic expansion of dialogue channels a goal of its Sustainability Strategy 2015-2017. By sharing information and opinions with our stakeholders we are able to integrate, as far as possible, the expectations and aspirations of the various groups into our business operations. Furthermore, this dialogue helps to identify risks and opportunities at an early stage and serves to build trust.

The stakeholder universe of Hannover Re was defined in the context of the elaboration of the Sustainability Strategy. The selection of relevant stakeholders is based on our business operations and our geographical presence, and is regularly reconciled with representatives of the business units. The following stakeholder groups are particularly relevant to Hannover Re: our clients, our employees, the public sector, non-governmental organisations (NGOs) and the capital market.

We maintain an ongoing dialogue with our stakeholders in a variety of ways. Through conferences, roadshows and one-to-one meetings, for example, we stay in contact with representatives of the capital market. Analysts and institutional investors make the most of our annual Investors' Day, among other things, to engage in an intensive exchange with our Executive Board. Our employees cultivate the dialogue with our worldwide customers through direct, face-to-face discussions. Furthermore, we regularly measure customer satisfaction with the involvement of external market research institutes. We similarly engage in an ongoing dialogue with political decision-makers, supervisory authorities and insurance industry associations – mostly in relation to topical issues in insurance supervision and financial market regulation in Germany, the European Union and on the international level. In this context Hannover Re contributes its specialist expertise from business practice to the public debate. Hannover Re is also a member of various associations, advocacy groups and organisations.

Dialogue formats

In 2013, with a view to stepping up our dialogue with stakeholders on sustainability issues, we conducted a survey with the participation of 30 representatives spanning the capital market, clients, staff, NGOs and public sector workers. According to the stakeholders, it is in the field of responsible enterprise management that Hannover Re's activities are most widely recognised and most favourably evaluated. Room for improvement was identified in the areas of sustainability communication and product responsibility as well as in relation to corporate environmental protection and employees. Of central significance to our stakeholders are entrepreneurial responsibility with respect to economic aspects as well as product responsibility, including asset management. It is also important to pay attention to emerging global concerns. These are: renewable energy sources, climate change, environmental protection, financial inclusion and tax policy. We took into account the opinions of our stakeholders when defining the focus topics of our Sustainability Strategy.

Dialogue with ESG rating agencies

In keeping with our goals defined in the Sustainability Strategy 2015-2017, we are also currently expanding the dialogue with ESG rating agencies. In the present Sustainability Report we are therefore reporting at greater length on topics that came up in discussions with rating agencies. These include, among other things, tax policy and the taxes paid by Hannover Re, current research activities on ESG topics and products as well as cooperation with primary insurers on the management of ESG issues.

Based on the GRI Report that we published for 2014, Hannover Re was evaluated in the last financial year by the rating agency oekom research AG with an eye to its sustainability performance and – in recognition of its above-average fulfilment of the sector-specific requirements – was again awarded "Prime" status. Not only that, since 2014 Hannover Re has been listed in the FTSE4Good, a worldwide index series based on sustainability ratings according to Environmental, Social and Governance (ESG) criteria. Furthermore, in the 2015 financial year Hannover Re was also evaluated by the ESG rating agencies Robeco SAM, Sustainalytics, Vigeo, MSCI and Sustainability Intelli-

gence; the company engages in a continuous dialogue on rating-specific sustainability issues as part of the annual rating processes.

Cultivating our customer relationships

We participate in an ongoing dialogue with our clients around the world. Customer relationships are normally maintained by individual divisions at Hannover Re. In this regard, the Life & Health reinsurance business group is especially committed to long-term customer relationships founded on a trusting and partnership-based approach. Since 2014 we have published the quarterly newsletter "ReCent Medical News" as a source of information that enables our customers to learn about the latest research results in various fields of medicine as well as new methods with a bearing on medical underwriting.

The Property & Casualty reinsurance business group has organised the seminar series "Building Bridges" since 2012. The seminars, which are held once a year, enable it to respond more closely to the individual reinsurance needs of our customers.

International employee survey

Hannover Re also conducts employee surveys at regular intervals. In 2015 we carried out our first international, Group-wide employee survey. The purpose of this survey was, in the first place, to continue the dialogue around a uniform conception of values and leadership that had been initiated in recent years. A key finding was the very high level of satisfaction identified among our staff. This is true both of the average evaluation across all questions and for virtually all individual questions. The strong motivation and commitment expressed by our employees is especially gratifying. When it comes to room for improvement, they pointed to a broader-based system of remuneration and further improvements in the support given to their continuing individual training. Based on these insights, we shall evaluate the results in detail in the course of the current financial year and initiate measures. The goals will be to leverage higher-level improvement potentials and to support the individual units in their efforts to engage with their own results.

More information on the topic at

-  Website: Ratings
-  AR 2015: International employee survey
-  Website: ReCent Medical News

Advocacy groups and memberships

Together with its stakeholders, Hannover Re takes part in numerous initiatives on sustainability issues. Contributing our specialist expertise, we get involved in the work of associations and societies, advocacy groups and organisations and we support the discourse about sustainability in society.

In the context of the "Climate Alliance Hannover 2020", a joint project of the state capital and Greater Hannover region, Hannover Re has undertaken to emit 40% less harmful greenhouse gases by 2020 than in the base year of 1990. Hannover Re's emissions have been regularly checked every two years since 2011.

Under the "Climate Alliance" Hannover Re additionally participates in the Business Strategy Group of the "Master Plan 2050 for the City and Region of Hannover, 100% for Climate Protection".

Since 2007 Hannover Re has also taken part in the "Ecological Project for Integrated Environmental Technology" (Ecoprofit) of the Greater Hannover region. The underlying idea of the project is the connection between economic gain and ecological benefit through preventive environmental protection. The participating companies are regularly involved in work on specific topics such as "Ecoprofit in the Urban Development Process" and "Current Changes in Energy Management". The energy-saving successes already achieved are regularly publicised in the relevant project publications.

On the international level the Chief Executive Officer of Hannover Re is a signatory to the Geneva Association's "Climate Risk Statement". In May 2014 Hannover Re's CEO – together with the Chief Executives of a further 65 of the world's leading insurance undertakings – reaffirmed his support for this declaration, which had originally been made in 2009. The guiding principles set out therein describe how the insurance industry will play its part in global efforts to tackle climate-related risks. These include activities in the areas of product innova-

tion, climate research and investment. Hannover Re is additionally represented on the "Extreme Events + Climate Risk Working Group" of the Geneva Association.

The design of our investment policy is guided primarily by the ten principles of the United Nations Global Compact. We work towards safeguarding decent working conditions in our supply chain. Our Code of Conduct for Suppliers requires respect for human rights and compliance with the core labour standards of the International Labour Organisation (ILO).

International memberships

Hannover Re is a member of numerous national, regional and global associations, interest groups and organisations. Employees of the Hannover Re Group participate in working groups on various topics and contribute their specialist expertise to relevant discussions.

The following list shows a selection of the most significant bodies to which the company belongs:

- American Council of Life Insurers (www.acli.com)
- Chief Risk Officer Forum (www.thecroforum.org)
- German Insurance Association (www.gdv.de)
- Geneva Association (www.genevaassociation.org)
- Global Earthquake Model (www.globalquakemodel.org)
- Global Reinsurance Forum (www.grf.info)
- International Actuarial Association (www.actuaries.org)
- International Insurance Society (www.internationalinsurance.org)
- International Underwriting Association of London (www.iua.co.uk)
- Reinsurance Advisory Board des Verbandes Insurance Europe (www.insuranceeurope.eu)
- South African Insurance Association (www.saia.co.za)

More information on the topic at

-  Emissions
-  Website: Investor Relations
-  Website: Product responsibility
-  Website: Ökoprofit

-  Website: Geneva Association
-  Website: United Nations
-  Website: International Labour Organization
-  Website: Klima-Allianz