

Supervisory Board

Report of the Supervisory Board

of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2017 financial year the position and development of the company and its major subsidiaries. We advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board of Hannover Rück SE held four regular meetings in order to adopt the necessary resolutions after appropriate discussion. With the exception of one meeting that one member of the Supervisory Board did not attend, all nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2017. Two representatives of the Federal Financial Supervisory Authority participated in one meeting on a routine basis. In addition, we were informed by the Executive Board in writing on the basis of the quarterly statements and orally about the course of business and the position of the company and the Group. The quarterly reports with the components of the financial statements and key figures for the Hannover Re Group constituted an important source of information for the Supervisory Board.

Key points of deliberation

As in every year, we were regularly updated on the work of the Supervisory Board committees and given a description of the major pending legal proceedings. A further key point of deliberation was the examination of the various reports in accordance with Solvency II such as the Own Risk and Solvency Assessment (ORSA), the regulatory reporting and especially the capitalisation under Solvency II. In the context of the annual review of the Investment Guidelines, these were expanded to include, inter alia, infrastructure investments (debt and equity) on the assumption that the underlying “New Product Process” is approved by the Executive Board. A peer comparison report on the return on investment was also received. Extensive consideration was given to the EU audit reform and the review of the transition phase between auditors. The approval of the

Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 Stock Corporation Act (AktG), the Finance and Audit Committee met on four occasions, the Standing Committee met twice and the Nomination Committee met twice. The Chairman of the Supervisory Board updated the full Supervisory Board on the major deliberations of the committee meetings at its next meeting and provided an opportunity for further questions.

We received an analysis of the 2016 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2017 financial year and the operational planning for the 2018 financial year. In addition, the Chairman of the Supervisory Board was constantly advised by the Chairman of the Executive Board of major developments and impending decisions as well as of the risk situation within the company and the Group. All in all, we were involved in decisions taken by the Executive Board and assured ourselves of the lawfulness, regularity and efficiency of the company’s management as required by our statutory responsibilities and those placed upon us by the company’s Articles of Association.

No audit measures pursuant to § 111 Para. 2 Sentence 1 Stock Corporation Act (AktG) were required in the 2017 financial year.

revised strategy of the Hannover Re Group was another major area of the Supervisory Board’s work. In addition, the Supervisory Board decided on the specialist and personal requirements for the Executive Board and Supervisory Board and compared them with the self-assessment of the Supervisory Board’s expertise that had been carried out. The Supervisory Board also examined the need for further training both for the Supervisory Board as a whole and for individual members of the Supervisory Board. As in every year, the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. The variable remuneration of the members of the Executive Board was defined on the basis of the findings with respect to attainment of the respective targets for the 2016 financial year.

The Finance and Audit Committee considered inter alia the consolidated financial statement and the quarterly reports drawn up in accordance with IFRS and the individual financial statement of Hannover Rück SE drawn up in accordance with the German Commercial Code (HGB) and discussed with the independent auditors their reports on these financial statements. As in the previous year, an expert opinion on the adequacy of the loss reserves in property and casualty reinsurance

was noted, the retrocession structure of the Hannover Re Group and the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made, the risk reports, the compliance report and the report on adherence to Corporate Governance principles were discussed and reports on the major subsidiaries were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2017 financial year. The Committee was provided with detailed reports on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re. The Committee also considered various M&A projects. Furthermore, the Committee prepared various resolutions to be adopted by the Supervisory Board, including a resolution on the next steps to be taken in connection with the EU audit reform.

Consideration of the EU audit reform was a major point of emphasis in the work of the Finance and Audit Committee. In this connection the Finance and Audit Committee validated the report on the conclusions drawn by the company in the selection process for choosing a new auditing firm and made an appropriate recommendation regarding the future auditing firm. Furthermore, a primary concern was the review of the transition phase between the existing and future auditing firm. The Finance and Audit Committee subsequently assured itself – including through direct dialogue with the auditors in

Corporate Governance

The Government Commission on the German Corporate Governance Code (DCKG) made changes to the German Corporate Governance Code in 2017. The Supervisory Board consequently examined the revised version of the German Corporate Governance Code as amended 7 February 2017 and in this connection approved corresponding changes to the Corporate Governance Principles of Hannover Rück SE. Among other things, a reference was inserted to the regularly performed efficiency review of the Supervisory Board's work. In addition, the Supervisory Board implemented various requirements arising out of Section 5.4.1 of the Code regarding the composition of the Supervisory Board and approved a diversity concept. It was possible to omit the reporting on shareholdings of members of the Executive Board and Supervisory Board from the Corporate Governance Principles because legal standards now exist for reporting on the shareholdings of members of these bodies.

We considered the report by the Executive Board on non-financial matters (cf. page 64 et seq. of the combined management report) and examined it with the support of a knowledgeable external consultant with an eye to lawfulness, regularity and expediency.

the context of a meeting – that the change of auditing firm will take place in an orderly fashion. It is envisaged that the new auditing firm will audit the individual and consolidated financial statements of the company for the 2018 financial year.

The Standing Committee dealt among other things with the adequacy of the system of remuneration for the members of the Executive Board, the determination of the variable remuneration of the members of the Executive Board for the 2016 financial year on the basis of the findings with respect to attainment of their respective targets and the examination of the remuneration for the Board members who were due for review. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. The Committee deliberated at length on the medium- and long-time succession arrangements for the Executive Board and recommended to the full Supervisory Board the reappointment of Dr. Michael Pickel and Dr. Klaus Miller.

The Nomination Committee began its deliberations over suitable candidates for the upcoming by-election of two shareholder representatives to the Supervisory Board in the coming year. When recommending candidates for nomination, the Committee takes into account the legal and supervisory stipulations, the goals set by the Supervisory Board itself for the composition of the body as well as the guidelines regarding the specialist and personal requirements for the members of the Supervisory Board, which the latter had approved in updated form in the year under review.

In addition, the Supervisory Board received a report on the design of the remuneration schemes as well as the compliance, internal audit and risk reports.

Notwithstanding the high importance that the Supervisory Board attaches to the standards of good and responsible enterprise management defined in the German Corporate Governance Code, the Supervisory Board decided not to comply with the recommendations contained in Code Section 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts, in Code Section 4.2.3 Para. 4 concerning a cap on severance payments in management board contracts, in Code Section 5.3.2 Para. 3 Sentence 3 concerning the Chair of the Audit Committee and in Code Section 5.3.2 Para. 3 Sentence 2 concerning the independence of the Chair of the Audit Committee. Justification for these divergences is provided in the Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code, which is reproduced in this Annual Report as part of the Declaration on Corporate Governance. Further information on the topic of corporate governance is available on Hannover Re's website.

Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board chose the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. Along with the audit concentrations of the German Financial Reporting Enforcement Panel (DPR), the additional audit concentrations defined by the European Securities and Markets Authority (ESMA) also formed part of the scope of the audit. The mandate for the review report by the independent auditors on the Half-yearly Financial Report as at 30 June 2017 was also awarded again. The special challenges associated with the international aspects of the audits were met without reservation. Since the audits did not give rise to any objections KPMG AG Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. The Finance and Audit Committee discussed the annual financial statements and the combined management report with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its examination. The audit reports were distributed to all members of the Supervisory Board and scrutinised in detail – with the participation of the auditors – at the Supervisory Board meeting held to consider the annual results. The auditors will also be present at the Annual General Meeting.

The report on the company's relations with affiliated companies drawn up by the Executive Board has likewise been examined by KPMG AG Wirtschaftsprüfungsgesellschaft and given the following unqualified audit certificate:

Changes on the Supervisory Board and the Executive Board

The composition of the Supervisory Board and its committees as well as of the Executive Board did not change in the year under review. Dr. Michael Pickel and Mr. Klaus Miller were reappointed as members of the Executive Board.

Word of thanks to the Executive Board and members of staff

The good result generated by Hannover Rück SE for the 2017 financial year was made possible by the exceptional performance of the Executive Board and the members of staff working for the company and the Group. The Supervisory Board would like to express its recognition and special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 8 March 2018

For the Supervisory Board

Herbert K. Haas
Chairman

“Having audited the report in accordance with our professional duties, we confirm that

1. its factual details are correct;
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high.”

We have examined

- a) the annual financial statements of the company, the financial statements of the Hannover Re Group and the combined management report prepared by the Executive Board for the company and the Group, and
- b) the report of the Executive Board pursuant to § 312 Stock Corporation Act (AktG) (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2017 – and have no objections. Nor do we have any objections to the statement reproduced in the dependent company report.

The Supervisory Board thus concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted. Our proposal regarding the appropriation of the disposable profit for 2017 is in accordance with that of the Executive Board.

Supervisory Board of Hannover Rück SE

Herbert K. Haas^{1, 2, 4}

Burgwedel

Chairman

Chairman of the Board of Management of Talanx AG

Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Dr. Klaus Sturany¹

Ascona, Switzerland

Deputy Chairman

Former member of the Executive Board of RWE AG

Wolf-Dieter Baumgartl^{1, 2, 4}

Berg

Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Frauke Heitmüller⁵

Hannover

Employee

Otto Müller⁵

Hannover

Employee

Dr. Andrea Pollak⁴

Vienna, Austria

Independent management consultant

Dr. Immo Querner

Celle

Member of the Board of Management of Talanx AG

Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Dr. Erhard Schipporeit^{2, 3}

Hannover

Member of various supervisory boards

Maike Sielaff⁵

Burgwedel

Employee

¹ Member of the Standing Committee

² Member of the Finance and Audit Committee

³ Independent financial expert on the Finance and Audit Committee

⁴ Member of the Nomination Committee

⁵ Staff representative

Details of memberships of legally required supervisory boards and comparable control boards at other domestic and foreign business enterprises are contained in the individual report of Hannover Rück SE.