

# Governance and Dialogue

## Responsible enterprise management

As an internationally operating company, we bear responsibility in numerous ways. This is true of our compliance with laws and regulations, but also applies to our relationship with our staff, shareholders, the public at large and the cultures within which we operate.

Corporate governance is a matter of vital importance to our company, since by acting in conformity with applicable laws we avoid sanctions and interruptions in business relationships. Moreover, responsible, value-based enterprise management assures our immaculate reputation and safeguards the trust of our business partners and stakeholders. We therefore embody state-of-the-art corporate governance as a matter of course. In addition to constant engagement with changing legal framework conditions, we provide an annual Declaration of Conformity with the German Corporate Governance Code that can be accessed on our website. We regularly update our Corporate Governance Principles, track and review changes to the German Corporate Governance Code and with a few well justified exceptions we comply

with the recommendations of the current version of the Code as amended.

Our actions worldwide are guided by high ethical and legal standards, which we have defined in our Code of Conduct and can be viewed on our website.

As a listed European joint-stock company (SE) based in Hannover, we are subject to SE-specific laws, 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. Furthermore, our Corporate Governance Principles and Code of Conduct constitute the basis of our enterprise management.

### GRI Disclosures

102-20 , 103-1 , 103-2 , 103-3

### More information

- [AR 2017: Declaration on Corporate Governance](#)
- [AR 2017: Responsible enterprise management](#)
- [Website: Corporate Governance](#)
- [Website: Declaration of Conformity](#)
- [Website: Compliance](#)

## Management structure

As a European Company (Societas Europaea – SE) based in Hannover, the formal structure of our corporate governance is determined by national law. The fundamental hallmarks are the 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 our company. The Supervisory Board takes responsibility for advising, and especially for monitoring and supervising, the Executive Board in its management of the company and also with respect to risk management. The avoidance of conflicts of interest is already extensively safeguarded by 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.

Our stakeholders have the opportunity to report critical issues to the company's highest governance body. Within the framework of our 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. In accordance with the practice adopted by the Supervisory Board and Executive Board, critical concerns are immediately addressed and dealt with at the meetings of the Supervisory Board and its committees.

Our shareholders exercise their co-determination right at our Annual General Meeting, 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's decision-making processes is ensured through the SE-Employee Councils, the joint German Employee Council of Hannover Rück SE, E+S Rückversicherung AG and International Insurance Company of Hannover SE and through the three employee representatives on the Supervisory Board elected by this joint Employee Council. The employee-employer relationship is governed by the SE Employee Participation Act, our Articles of Association and the Agreements with the Employee Council.

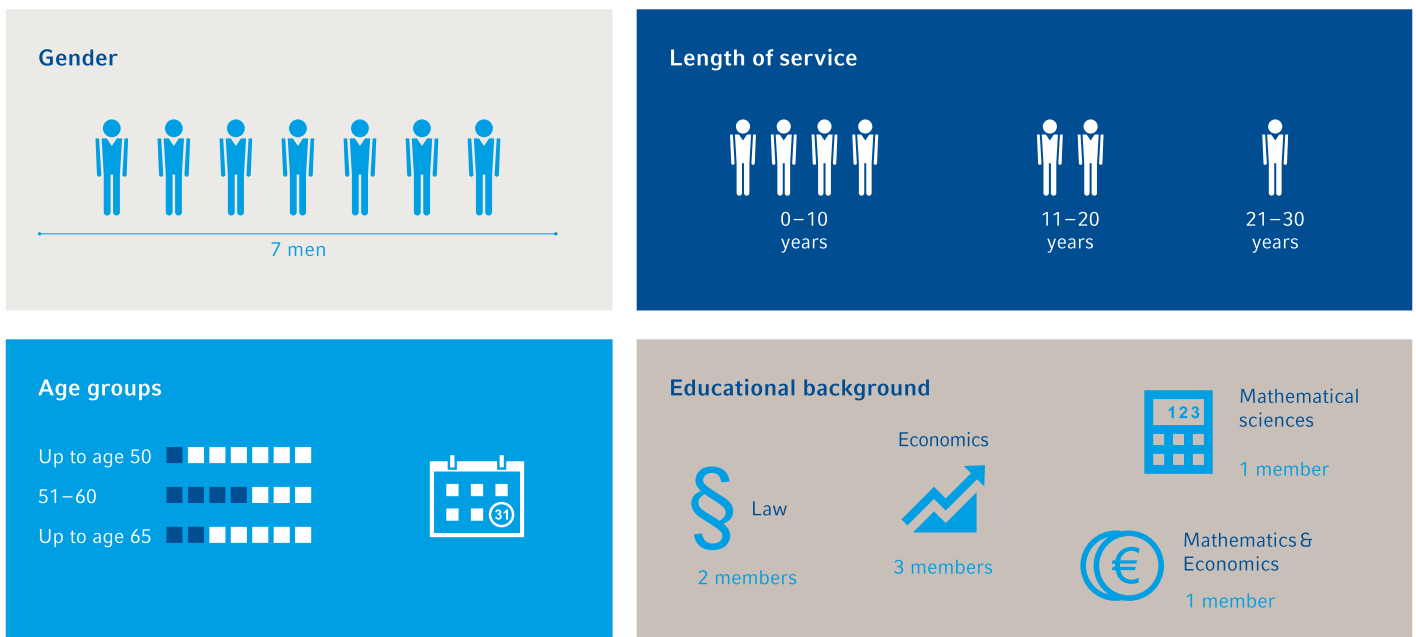
Our employees Group-wide are informed of significant operational changes without delay and in accordance with legal requirements. The Supervisory Board must be advised immediately of matters that can have a material influence on the position of our company. In the context of their right to information, the Employee Council for the Hannover location and the SE Employee Council of Hannover Rück SE as well as the SE Employee Council of Inter Hannover SE also duly receive all relevant information so as to be able to influence operational changes.

## Composition of the Executive Board

Our Executive Board is composed of seven members, who are appointed by the Supervisory Board. Along with their qualifications, the Supervisory Board also pays attention to appropriate diversity in the composition of the Executive Board in the context of an approved diversity concept. For the period from 1 July 2017 to 30 June 2022, making allowance for the current mandates and service contracts of the members of the Executive Board, we have raised the target for the quota of women on the Executive Board from zero to 14%. This means that it is envisaged that one woman will belong to the Executive Board in the specified period. When appointing a new member of the Executive Board, the Supervisory Board shall therefore give preference to a potential female candidate in case of equal personal aptitude and professional qualifications. Experience in environmental and social matters is taken into consideration as part of the selection process for the Executive Board or Supervisory Board, but is not regarded as a decisive factor.

The Executive Board ensures the elaboration and implementation of a consistent business policy in keeping with the company's strategic objectives. With shareholders in mind, the Executive Board expressly attaches importance to an organisation that facilitates cost-efficient, quick and unbureaucratic decision processes. Open and trusting cooperation geared to the collective interest is the cornerstone of success. In this context, the members of the Executive Board bear joint responsibility for the overall management of business. Irrespective of their shared responsibility, each individual member of the Executive Board leads their assigned area of competence at their own responsibility within the bounds of the resolutions adopted by the Executive Board. When individuals are appointed to the Executive Board, the term of appointment is to be determined such that it expires no later than the end of the month in which the member of the Executive Board turns 65.

### Overview of diversity on the Executive Board



## Composition of the Supervisory Board

Our Supervisory Board consists of nine members. They are appointed for a term of office until the end of the Annual General Meeting that ratifies the acts of management for the 2018 financial year.

Pursuant to statutory requirements and the Agreement on the Participation of Employees in Hannover Rück SE, the employees are represented by three members.

Persons proposed to the Annual General Meeting as candidates for election to the Supervisory Board may not be older than 72 at the time of their election. Furthermore, candidates shall normally not belong to the Supervisory Board as a member for longer than three full consecutive terms of office. The latter has been applicable since the 2014 Annual General Meeting. In addition, no more than two former members of our Executive Board may belong to the Supervisory Board.

Given that members of the Supervisory Board cannot at the same time sit on the Executive Board, a high degree of independence in the oversight of the Executive Board is already ensured by structural means. In addition, in its current composition the Supervisory Board also fulfils the requirements of the German Corporate Governance Code with regard to independence.

The Rules of Procedure of the Supervisory Board stipulate an appropriate number of independent members on the Supervisory Board. Currently, the Supervisory Board is of the opinion that of the six shareholder representatives elected by the Annual General Meeting at least two are independent as defined by Item 5.4.2 of the German Corporate Governance Code (DCGK). At least one independent member must have technical expertise in the fields of accounting and the auditing of financial statements. This is also assured at the present time.

When it comes to selecting the shareholder candidates who are proposed to the General Meeting for election to the Supervisory Board, the Supervisory Board takes care to ensure that the individuals in question have the necessary knowledge, abilities and specialist experience. In addition, the Supervisory Board conducts a self-assessment of its expertise once a year and decides on suitable development and advanced training measures, as necessary. In August 2018, for example, the Supervisory Board received IT training in the context of its deliberations on the company's newly developed digitalisation strategy.

The anticipated time that can be invested in a sustainable increase in the value of the company is similarly a central criterion in the selection of candidates. Under certain circumstances the number of seats that may be held on supervisory boards outside the Group is therefore limited to three.

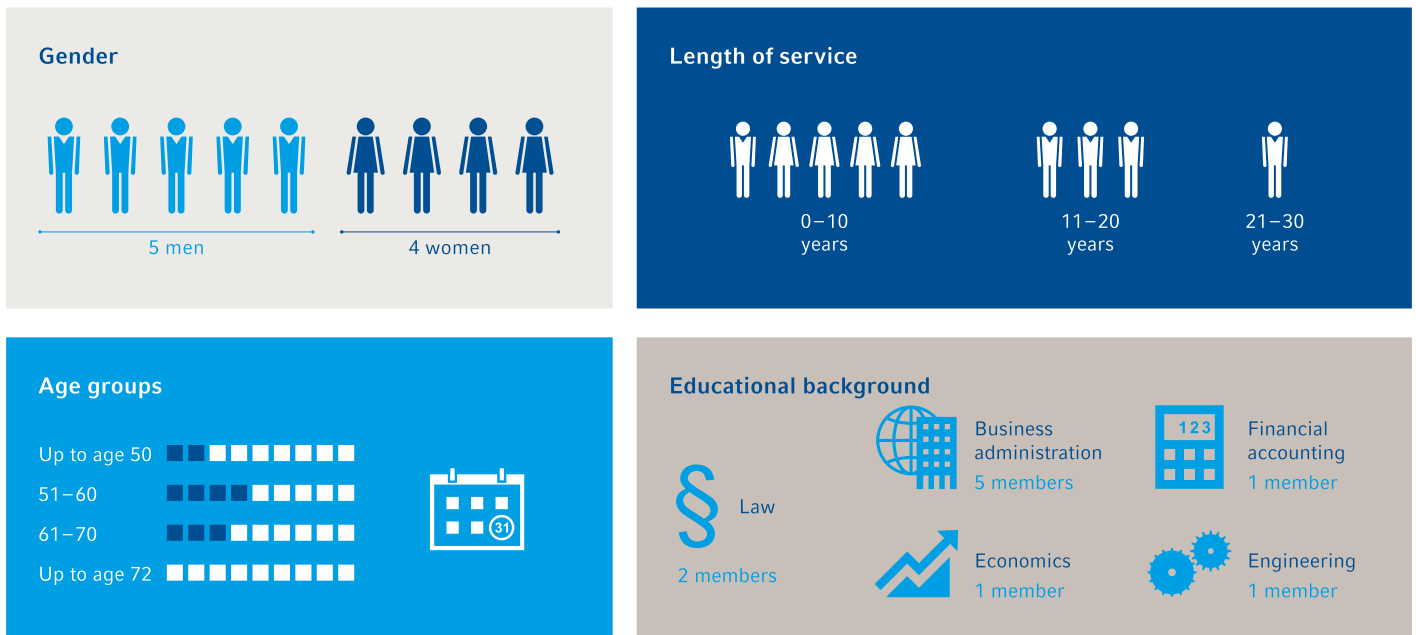
The principle of diversity is also taken into account by the Supervisory Board when making a selection. Allowing for the term of appointment of the Supervisory Board, the Supervisory Board has set itself a target quota of 30% for women on the Supervisory Board in the period from 1 July 2017 to 30 June 2022. This target had already been fulfilled at the end of 2017 with a proportion of 33%. The Supervisory Board has thus acted on various requirements contained in Item 5.4.1 of the German Corporate Governance Code (DCGK) regarding the composition of the Supervisory Board and has also adopted a diversity concept. The proportion of women on the Supervisory Board currently stands at 44%.

In accordance with its role, the Supervisory Board appoints the members of the Executive Board and performs its oversight and supervisory functions. The Supervisory Board is kept informed on a regular (at least quarterly) and timely basis of the business development, the execution of strategic decisions, material risks and planning as well as relevant compliance issues. The Chairman of the Supervisory Board stays in regular contact with the Chairman of the Executive Board in order to discuss with him significant business occurrences. Our Articles of Association and the Rules of Procedure of the Executive Board define the specific matters that require the consent of the Supervisory Board or its Chairman.

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 of the committee members.

The Supervisory Board committees are each comprised of three members. They deliberate on matters within their scope of competence and prepare the adoption of resolutions for the full Supervisory Board. In addition, the committees are also assigned their own authority to adopt resolutions.

## Overview of diversity on the Supervisory Board



### GRI Disclosures

102-03 , 102-05 , 102-18 , 102-19 , 102-20 , 102-22 , 102-23 , 102-24 , 102-25 , 102-26 , 102-27 , 102-29 , 102-33 , 402-1 , 405-1

### More information

- Executive Board
- Supervisory Board

- AR 2017: Executive Board of Hannover Rück SE
- AR 2017: Declaration on Corporate Governance
- AR 2017: Working practice of the Executive Board and Supervisory Board
- AR 2017: Further enterprise management principles
- AR 2017: Report of the Supervisory Board
- AR 2017: Supervisory Board Members
- Website: Executive Board
- Website: Supervisory Board
- Website: Articles of Association of Hannover Rück SE
- Website: Corporate Governance Principles

## Corporate Governance Code

As an instrument of self-regulation for the business world, the applicable version of the German Corporate Governance Code dating from 7 February 2017 sets out not only legal requirements but also various recommendations and suggestions for good corporate governance. They are intended to maintain and foster the trust of different stakeholder groups 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.

Since 2003 we have provided an annual Declaration of Conformity with the German Corporate Governance Code which is published on our website and can be reviewed in the Annual Report. Furthermore,

### More information

- [AR 2017: Declaration on Corporate Governance](#)
- [Website: Corporate Governance](#)
- [Website: Declaration of Conformity](#)
- [AR 2017: Responsible enterprise management](#)

our Corporate Governance Principles are regularly revised and reflect the recommendations of the Code as amended. The currently applicable Corporate Governance Principles of Hannover Rück SE were approved by the Executive Board and Supervisory Board on 7 November 2017.

Our positive attitude towards the Code notwithstanding, we did not comply with certain Code recommendations in the year under review. A well justified deviation from the recommendations of the Code may be very much in the interests of good corporate governance (cf. the Foreword to the Code). With this in mind, we make allowance for enterprise- and industry-specific features and tailor our corporate governance to fit our company.

## Remuneration and performance review

The correlation between the performance of our company and the remuneration of our Executive Board 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 our company.

The profit- and performance-based remuneration (variable remuneration) is contingent in part on the attainment of individual targets. On the other hand, allowance is also made for targets that refer to key performance indicators of the company (e.g. return on equity). The set targets vary according to the function of the Board member in question. Environmental and social goals are not currently reflected in the performance criteria under the remuneration policy.

The remuneration scheme for the members of the Executive Board was presented at the Annual General Meeting 2012 and put to the vote. The shareholders were thus able 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. We draw upon the services of an external independent consultant not only for the elaboration of the remuneration scheme for the members of the Executive Board; outside independent advice is also sought when it comes to making the annual horizontal comparison with the benchmark environment, which is mapped on the basis of typical or average figures from comparable companies.

### GRI Disclosures

102-28 , 102-35 , 102-36 , 102-37

### More information

- [AR 2017: Remuneration report](#)
- [Website: Executive Board](#)
- [Website: Supervisory Board](#)

In accordance with Item 5.6 of the German Corporate Governance Code we evaluate the efficiency of the Supervisory Board at regular intervals in order to explore potential options for improvement in its work. In the context of this self-assessment each member of the Supervisory Board evaluates the quality of the work currently performed by the Supervisory Board in anonymised form and makes suggestions for future optimisation.

The remuneration of the Supervisory Board is determined by the Annual General Meeting of Hannover Rück SE and regulated by the Articles of Association.

In accordance with §14 of the Articles of Association as amended on 30 May 2016 and the resolution of the Annual General Meeting on 7 May 2013, the members of the Supervisory Board receive fixed annual remuneration of EUR 30,000 per member in addition to reimbursement of their expenses. Furthermore, each member of the Supervisory Board receives variable remuneration measured according to the average earnings per share (EPS) of the company over the past three financial years preceding the Annual General Meeting at which the actions of the Supervisory Board for the last of these three years are ratified.

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 2017.

# Compliance

Integrity in dealings with our business partners, shareholders and the public at large is a matter of particular concern for us. Legally correct, responsible and ethical action is a fundamental prerequisite for trust in our company and for its competitiveness. If we are to succeed over the long term, it is vital in all the countries where we operate that we respect and comply with relevant laws and provisions as the legal basis for our business activities. The compliance function is one of four key functions of the governance system required by the Solvency II Directive and is an important element of the internal control system. Compliance is therefore a major concern for us, and 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 compliance structures support the observance of laws and directives, e.g. those governing respect for human rights, prevention of corruption, adherence to sanctions and protection of customer data. We inform our employees about relevant rules through regular training and communication measures.

Our Code of Conduct sets out internal rules of conduct that are applicable worldwide. It was revised and approved by the Executive Board most recently in May 2017. 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 our company. The most significant requirements 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

## GRI Disclosures

102-16 , 102-17 , 103-1

## More information

-  Environmental management system
-  Employee engagement and donations






policies. Furthermore, our structures ensure that personal data is handled in conformity with the EU General Data Protection Regulation (GDPR) and the new German Federal Data Protection Act (BDSG).

With the aid of our Tax Guideline (which is applicable Group-wide), the "Tax Compliance System" currently under development and the associated review of all relevant task areas and responsibilities we ensure that going forward, as in the past, the tax claims arising out of our international operations are met in accordance with the relevant national legal requirements.

We have defined in our Code of Conduct and Underwriting Guidelines the processes by means of which we observe sanctions that are relevant to our company. A compliance management system for sanctions, verification software, a Sanctions Screening Guideline and training activities for new staff facilitate the early identification and avoidance of any risk of sanctions violations.

Since June 2012 our DIN EN ISO 14001-certified environmental management system has been in place to protect the environment. In 2015 we also transitioned to the more comprehensive environmental management system EMAS (Eco-Management and Audit Scheme). We publish the annual EMAS environmental statement pursuant to the EMAS III Regulation on our website; the statement for the 2017 financial year can already be viewed there.

An internal Donations Guideline applicable to our Group worldwide makes it clear that through our social engagement we seek primarily to benefit the common good.

-  AR 2017: Compliance
-  Website: Governance and Dialogue
-  Website: Environmental management
-  Website: Environment and society
-  EMAS Environmental Statement 2017



## Legal framework

Our Group Legal department continuously monitors and assesses requirements arising out of the applicable legal framework, and it evaluates legally relevant changes and their implications for internal processes and policies. Ongoing legal monitoring is carried out for particularly relevant compliance issues by various specialist departments.

### Current Changes

A significant change in the legal framework conditions relating to environmental or social aspects was the entry into force in 2017 of the CSR Directive Implementation Act. This requires consistent reporting by companies on environmental, social and employee matters as well as on human rights and combating corruption. The legislation defines the type of information to be disclosed and the group of affected enterprises, banks and insurers in Germany. In March 2018 we published our Non-Financial Information Statement for the first time as part of our Annual Report 2017. In so doing, we are in compliance with the new CSR Directive Implementation Act.

The Act for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, which had already entered into force in 2015, required the Supervisory Board of the company to define a target quota for women on the company's Supervisory Board and Executive Board in the period until 30 June 2017 by no later than 30 September 2015. In view of the fact that the deadline for achievement of the current target ended in the year under review, the Supervisory Board was obliged to set a new target quota for women. For the period from 1 July 2017 to 30 June 2022 the Supervisory Board has therefore set a target quota of 30% for women on the Supervisory Board and 14% on the Executive Board.

For each of the two levels of senior management below the Executive Board, the company's Executive Board increased the previous target from 16.8% to 18% for the same period.

### Conduct of energy audits

By means of the Act on Partial Implementation of the European Energy Efficiency 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 corporations that have a turnover of more than EUR 50 million and employ more than 250 staff are 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

More information

- [Website: Executive Board](#)
- [Website: Supervisory Board](#)
- [AR 2017: Group non-financial information statement](#)
- [Website: EMAS](#)
- [AR 2017: Notes 7.5 \(Taxes on income\)](#)

in accordance with DIN EN ISO 50001 or for those that have successfully implemented a validated environmental management system as defined by the regulation, specifically the EMAS III Regulation, or have concrete plans to do so by the stipulated deadline. With this in mind we decided in 2015 to convert the existing environmental management system according to DIN EN ISO 14001 to the more comprehensive environmental management system EMAS in 2016. We publish an annual EMAS environmental statement in accordance with the EMAS III Regulation (Eco-Management and Audit Scheme) in the EMAS Register and on our website.

### Tax framework

As a globally operating reinsurance undertaking, we are subject to the tax laws of the respective national legal systems. We pay the incurred taxes according to the applicable legal provisions of the countries in which we operate.

The tax expenditure of the Hannover Re Group recognised in the IFRS consolidated financial statement for the 2017 financial year was EUR 143.2 million lower than in the previous year at EUR 248.0 million (previous year: EUR 391.2 million). Along with the reduced pre-tax profit compared to the previous year, this is due among other things to changes in future applicable local tax rates in the United States and France and the associated remeasurement of deferred tax liabilities. In addition, the effective tax rate decreased compared to the previous year due to realisations of non-strategic listed equities and equity funds. The effective tax rate amounted to 19.2% (24.2%). A breakdown of domestic and foreign taxes on income is provided in our Annual Report.

In order to ensure that going forward, as in the past, we continue to file complete and correct tax returns on a timely basis despite the growing complexity of tax claims from our international operations, we are 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. A tax strategy was also adopted in this connection in 2017. This is published on our website.

In addition, the handling of tax matters within Hannover Re is regulated by internal Group guidelines and organisational guidelines.

## Data privacy and information security

Ensuring compliance as well as the confidentiality, integrity and availability of information is of the utmost importance to us. 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.

The existing structures of the established compliance organisation are used to implement the requirements of data privacy law. The EU General Data Protection Regulation, which entered into force on 25 May 2018, is an important step towards a harmonised single European market and puts in place a consistent level of data protection Europe-wide. It is not directly applicable to all Hannover Re companies, if their registered office is located outside the EU or EEA. The respective bases in national law are determinative for these companies. Compliance with the GDPR is, however, also required if data subjects in the EU are offered either goods or services by these companies. Irrespective of the scope of application of the GDPR, the designated compliance officers or contact persons are responsible for the local requirements of data protection. They develop local guidelines on data protection as needed and serve as the interface to Hannover Re's Data Protection Officer in Germany.

Our Data Protection Officer assumes all functions, responsibilities and rights as set out according to the GDPR and the new German Federal Data Protection Act (BDSG). In this context, the monitoring of data protection requirements takes place in close consultation with Group Auditing. The findings of the separate reporting on data protection are integrated into the annual compliance report. No complaints were received about privacy breaches affecting personal 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 pursuant to Articles 33 and 34 of the GDPR.

### GRI Disclosures

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### More information

- [Website: Compliance](#)
- [AR 2017: Compliance](#)

An information security management system has been set up Group-wide for operational assurance of the protection requirements under data privacy law, the so-called technical and organisational measures (TOMs), as well as for ensuring the security of all other sensitive information within the company. In organisational terms, information security management is coordinated centrally by the Group Information Security function and incorporates all relevant functions, including for example Group IT for matters of IT security, Facility Management with respect to building security or indeed each individual member of staff as a processor of information.

Risks arising out of the areas of data protection and information security are integrated into the system of risk management as operational risks and monitored here.

In view of the broad spectrum of such risks, many diverse technical and organisational measures for both managing and monitoring such risks are used, including for example a requirement to conclude confidentiality agreements with service providers. In addition, awareness among our employees of such security risks is raised through practically oriented assistance measures, training activities and a staff information campaign.

Our information security management system is geared to ISO 27001. In addition, we conduct an annual NIST-based self-assessment with the support of an outside security consultant. We participate in various cooperative projects undertaken by our industry and engage in a regular dialogue with advocacy groups such as VOICE Bundesverband der IT-Anwender e.V. in the context of the Cyber Security Competence Center.

## Sanctions

Observance of applicable sanctions regulations plays a central role for us on account of our international orientation. We have enshrined compliance with relevant sanctions provisions in our 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 hence with whom no business may be transacted. 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.

In the year under review a new, comprehensively revised Sanctions Guideline entered into effect. More than 500 employees in underwriting and technical accounting have been trained in the new check

rules. For the first time, the guideline contains systematic rules governing not only the topic of financial sanctions – with the associated crosschecking of customer names against lists of persons subject to an assets freeze – but also the screening of goods and services.

The training given to new members of staff also includes a section on sanctions, with the result that all new employees receive basic instruction in sanctions law. New 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.

More information

[AR 2017: Compliance](#)

## Code of Conduct

Along with the Group Strategy and Corporate Governance Principles, our Code of Conduct sets out rules for how our employees are to conduct themselves with integrity. The Code of Conduct is accepted by our employees as part of their employment contract and hence has binding effect. It makes clear that active and passive bribery are not tolerated and further makes specific reference to the prohibition of money laundering and illicit financing. There are also specific rules of conduct, for example in the form of instructions for the avoidance and disclosure of conflicts of interest, for the granting and acceptance of benefits, gifts and invitations, for the arrangement of donations and sponsorships as well as with respect to sideline activities and involvement in other companies and business transactions. The Code of Conduct is thus intended to help our employees cope with challenges in their daily work. 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 when it comes to the demeanour, actions and behaviour of every one of us.

As a listed company, we also emphasise to our employees the necessity of observing rules on insider trading and we specify blocking periods during which shares may not be traded.




Since mid-2012 our Code of Conduct for Suppliers has also been in effect 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 Facility Management and IT are also progressively checked for fulfilment of the Code of Conduct as part of an ongoing process. In 2017 the Code of Conduct for Suppliers was revised against the backdrop of the new legal requirements associated with the UK Modern Slavery Act; the updated version was approved by the Executive Board on 29 June 2017 and published on our website. Furthermore, we have explicitly committed to respecting and observing human rights concerns, such as equal treatment and anti-discrimination, and we also require this from our suppliers.

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. 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. As a next step, we plan to extend this approach to our international offices in the United Kingdom and Ireland, followed progressively by our locations around the world.

### More information

 [Supplier management](#)

-  [Human rights and supply chain](#)
-  [AR 2017: Compliance](#)
-  [Website: Code of Conduct](#)

# Social and financial integration

Roughly 60 % of the world's population has no access to suitable insurance products.

The considerable degree of diversity in the workforce is one of the cornerstones of our successful business activities. Some 40 different nationalities are employed at the Hannover location alone.

By offering micro- and agricultural insurance products, we contribute to social development in structurally deprived regions. Individuals with scant financial resources are able to obtain protection against the risks associated with natural perils such as catastrophic events or crop failures.

We play an active part in projects supported by the InsuResilience initiative of the G7 countries and thereby work towards providing insurance protection against climate risks for poor and vulnerable people in developing countries.



## 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. Our compliance structure was therefore most recently reviewed in 2015 against the backdrop of compliance requirements associated with Solvency II.

The Chief Compliance Officer and the Compliance Department inform employees about changes in legislation affecting the legal areas in which they work, insofar as their tasks are affected. A worldwide compliance network of responsible compliance officers at the international locations supports the Chief Compliance Officer in his duties and reports to him. This means that local compliance violations can also be reported directly outside the local hierarchy. The Executive Board is updated on major compliance issues and developments in a report compiled annually by the Chief Compliance Officer.

The Chief Compliance Officer works to ensure compliance with internal company guidelines by cooperating with other in-house departments, including Group Auditing.

With a view to improving cooperation within the compliance network on the European level, we organise an annual gathering of European compliance officers. Supplementary to this, conference calls are held in the quarters when no meeting is held. This brings about closer coordination and facilitates verification of the implementation of compliance measures.

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### Whistleblower system

A Web-based whistleblower system has also been set up for the Group companies so as to enable employees, customers and third parties to report – anonymously if they so wish – serious compliance violations in the respective local language or in English. Employees throughout the Group are able to seek advice on compliance matters through an e-mail address linked to the Compliance Department. Any tips and the resulting

measures taken are included in the annual Compliance Report. In the year under review no tips were received through the Group-wide whistleblower system regarding potential wrongdoing. Nor were any instances of discrimination reported to us through the whistleblower system in the year under review. Furthermore, no lawsuits were filed against our company in the reporting period or in previous years on grounds of anti-competitive or anti-trust practices. Similarly, we were not required to pay any significant fines in the period under review or previous years due to violations of legal provisions; nor were any non-monetary sanctions imposed on our company.

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

In 2016 we updated our Corporate Compliance Organisational Manual (known as the Compliance Manual). This manual summarises the main activities in the area of corporate compliance. It also describes the responsibilities within our company, the interfaces between Group Legal Services (Compliance Department) and other areas as well as the various components of the compliance organisation.

In 2017 the Bundesbank conducted a foreign trade audit at E+S Rück that did not give rise to any objections. The Federal Financial Supervisory Authority (BaFin) also conducted two local audits at Hannover Re and E+S Rück to verify aspects of our internal model, especially those relating to the operational risk. No objections were raised in this regard either.

### Compliance training

All new company employees 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 the year under review three training activities were held for altogether 81 employees. In order to stay updated on compliance issues such as combating corruption, we use traditional communication channels including intranet portals and online newsletters. Important information of company-wide relevance is made available to staff in the intranet. In addition, all [underwriting](#) and accounting departments received training in the topic of trade embargos in the year under review.

With effect from 2018 onwards we have organised a mandatory corporate governance training activity for our underwriters in property and casualty reinsurance at the Hannover location. The training gives our staff an initial insight into legal bases, internal guidelines and standards as well as an overview of the various in-house committees. Questions relating to general compliance matters and fighting corruption are also discussed. Altogether, some 300 employees received this training when the measure was first held. A similar training activity was organised in August 2018 for our life and health reinsurance underwriters. This measure will be expanded in the third quarter to include the international offices.

The Compliance Report for the 2017 calendar year was submitted to the Finance and Audit Committee in March 2018. The report describes the structure and wide-ranging activities of our company in this regard. The findings of the separate data protection reporting for the 2017 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, one compliance-related incident was reported. After extensive examination of this incident the necessary precautions were taken in order to ensure for the future that we are in conformity with the internal and external requirements governing our business operations. As a consequence of the incident, we implemented a number of compliance and audit measures at the affected international office so as to improve the internal control system on the local level and at the interface between headquarters and the branch.

Our annual 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 possible risks of non-compliance and the steps taken to prevent non-compliance were documented and examined with an eye to their adequacy.

#### GRI Disclosures

102-16 , 102-17 , 103-2 , 103-3 , 206-1 , 307-1 , 412-2 , 419-1

#### More information

-  [Supplier management](#)
-  [Organisation and process of risk management](#)

-  [AR 2017: Compliance](#)
-  [Website: Compliance](#)



# Risk management

Our Group-wide risk management minimises the business risk on all levels and is vital to the long-term success of our company. Consequently, it is a significant topic that is also reflected in our sustainability activities. It encompasses the chronological scrutiny, detection and assessment of risks as well as corresponding actions and control loops. Through established structures and responsibilities we ensure comprehensive evaluation of the risks that we intend to take on. Maximising the opportunities associated with these risks assures the sustainable development of our business. By identifying emerging risks at an early stage and leveraging them for our business, for example, we are consistently able to respond to the changing needs of the market and our clients and, ideally, secure our unique selling proposition.

Our risk strategy and our Framework Guideline on Risk and Capital Management including the system of limits and thresholds for our company's material risks constitute the central elements of our risk

## GRI Disclosures

102-11 , 102-15 , 103-1

## More information

 Risk expertise

management system. The steering of all material risks is the task of the operational business units. The monitoring of all identified material risks is the responsibility of Group Risk Management.

The parameters and decisions of the Executive Board with respect to our company's risk appetite 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 by industry standards.

 [AR 2017: Sustainable insurance solutions](#)

 [AR 2017: Opportunity and risk report](#)

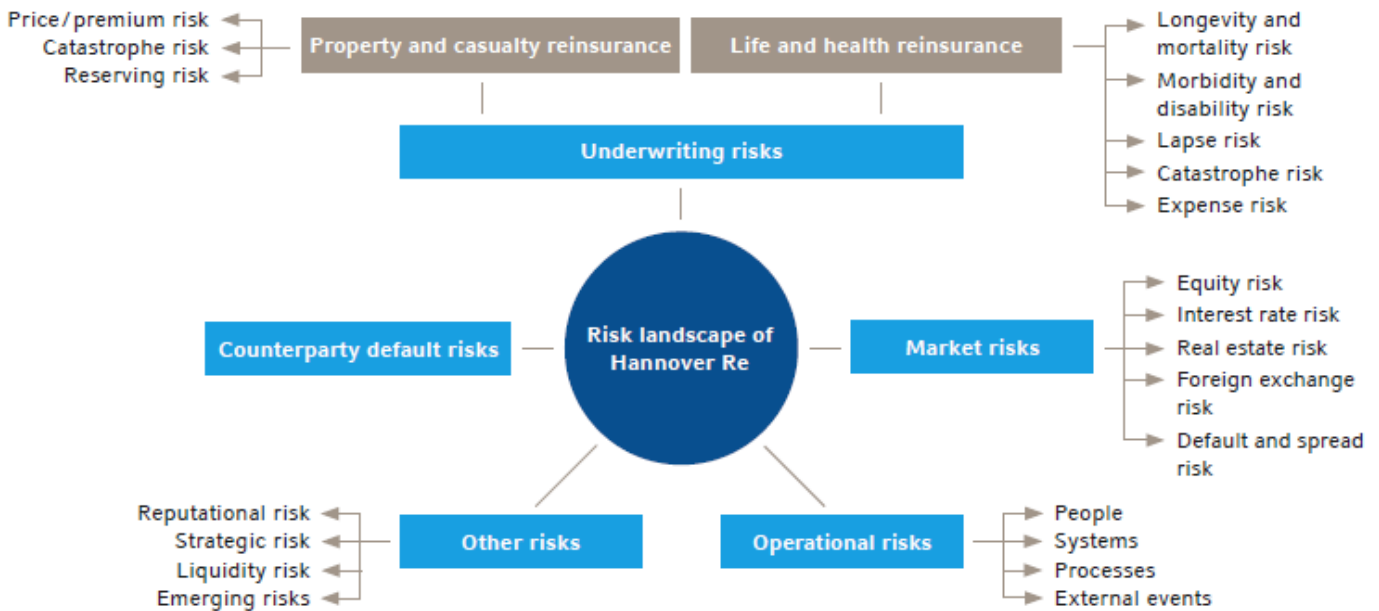
## Risk landscape

Our risk landscape 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 strategic, reputational and liquidity risks.

The reputational risk also has a bearing on our social responsibility and is thus a control point for our sustainability efforts.

### 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 us. This is because the content of such risks cannot as yet be reliably assessed. It is therefore vital to detect these risks at an early stage and then deter-

mine their relevance. Emerging risks include those associated with urbanisation as well as risks posed by obesity in industrialised nations, the use of nanotechnology and increasingly widespread digitalisation and cybercrime.

The "Emerging Risks and Scientific Affairs" internal working group 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 as a reinsurer. It is for this reason that our

department specialising in the coverage of agricultural risks and the "Innovation Management" team work on products that can alleviate the financial impacts of climate change.

In the context of our work in the Emerging Risks Initiative (ERI) of the CRO Forum, we are also investigating investment opportunities in so-called greentechs, which could increase our corporate contribution to CO<sub>2</sub> reduction.

GRI Disclosures

102-15 , 103-2

More information

 Risk expertise

 [AR 2017: Opportunity and risk report](#)

## Organisation and process of risk management

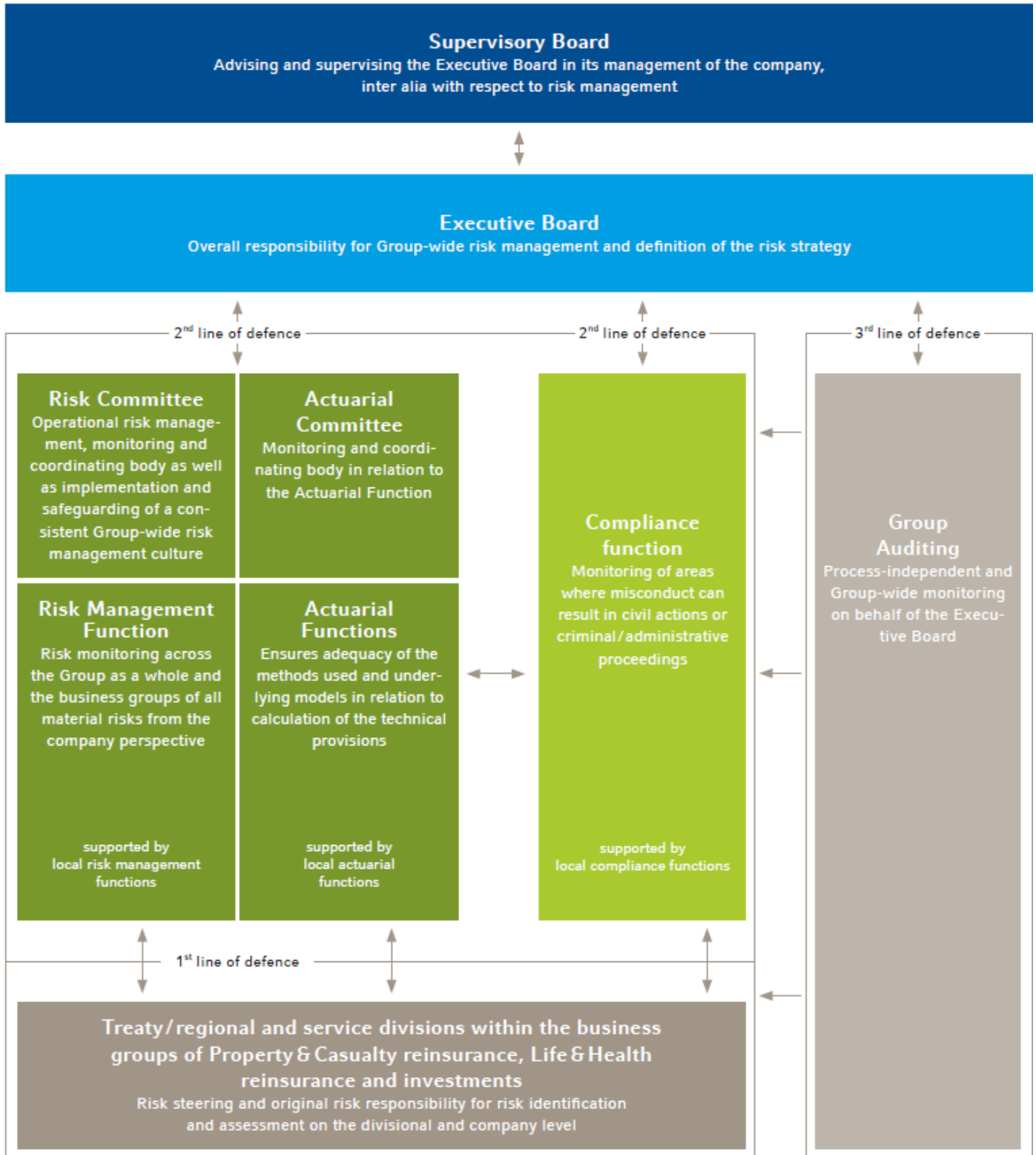
We have set up risk management functions and bodies Group-wide to safeguard an efficient risk management system. The organisation and interplay of the individual functions in risk management are crucial to our internal risk steering and control system. Responsibility for Group-wide risk management and 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 responsibility on the divisional or company level. Risk management en-

ures 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. Furthermore, requirements for risk management are formulated in guidelines that are publicised throughout the company.

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

Central functions of risk monitoring and steering



## Sustainability risks and opportunities

For the purpose of early detection of emerging risks we have had in place for many years an efficient process that spans divisions and lines of business and we have 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 Risk Committee, which is led by the CEO.

Key elements in our business opportunity management include the 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 – including in financial terms. The "Innovation Management" department 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.

### GRI Disclosures

102-11 , 102-15 , 102-29 , 102-30 , 102-31 , 103-3 , 201-2

### More information

[AR 2017: 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. In order, among other things, to offset the negative effects of fluctuations in the financial market, the European Union has adopted Solvency II capital regulations. Through our internal capital model approved by the BaFin, we comply with this risk-based regulation and allocate our capital as efficiently as possible. We are also able to leverage the know-how that we gained in the development of this capital model for the design of individual reinsurance solutions for primary insurers.

# Stakeholder dialogue

## 102-40, 102-42, 102-43, 102-44

Given that the trust of our stakeholders and an immaculate reputation are prerequisites for the success of our company, we 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.

An open and ongoing dialogue with all stakeholders promotes the active management of expectations. It enables us to directly assess the needs and expectations of our business partners and customers, identify risks and opportunities at an early stage and determine suitable measures. The development of individually tailored products and services boosts customer satisfaction, creates the basis for long-term client retention and enhances the trust of clients and stakeholders alike in our company.

Furthermore, the dialogue with political decision-makers, supervisory authorities and insurance industry associations serves as an important source of information for our company. Not only that, it establishes the basis for contributing our specialist expertise from business prac-

tice to the public debate and hence playing an active part in, for example, the elaboration of supervisory or regulatory standards.

We have therefore made the further systematic expansion of dialogue channels a goal of our Sustainability Strategy both for the years 2015-2017 and the upcoming cycle. 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.

Our stakeholder universe was defined as part 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 us: our clients, our employees, the capital market, the public sector and non-governmental organisations (NGOs).

### GRI Disclosures

102-29 , 102-40 , 102-42 , 102-43 , 102-44 , 103-1

## Dialogue formats

### 102-42, 102-43, 102-44

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, rating agencies and private investors. Altogether, we attended 17 investor conferences and 19 roadshows in the year under review, held four webcasted calls (e.g. interim reports) and 15 teleconferences with investors or analysts and hosted visits from a number of investors and analysts. In addition, analysts and institutional investors make the most of our annual Investors' Day and our analysts' conference – also held annually – to engage in an intensive exchange with management. 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 maintain 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 wider international level. These include, among other things, the preparations for the Solvency II review process, the development of a global, risk-based group-wide capital standard for insurers and negotiations between the European Union and the United States for a bilateral agreement on prudential insurance and reinsurance measures. In this context we contribute our specialist expertise from business practice to the public debate; in return, we are able to integrate helpful insights gained from such exchanges into our business activities and reporting.

In the interests of transparent communication with our stakeholders we have set ourselves the goal of expanding our reporting on sustainability issues. With the compilation of the present Sustainability Report we already provide annual voluntary reporting on our achievements as a responsible enterprise. In so doing, we are guided by the currently applicable and internationally recognised standards of the Global Reporting Initiative (GRI) and by the transparency requirements of environmental, social and governance (ESG) rating agencies.

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### Dialogue with ESG rating agencies

In keeping with the goals defined in our Sustainability Strategy 2015-2017, we are also continuing to expand the dialogue with ESG rating agencies. Going forward, we intend to report at greater length on topics that have come up in discussions with rating agencies. These include, among other things, aspects of product responsibility, current research activities on ESG topics and products as well as cooperation with [primary insurers](#) on the management of ESG issues.

Since 2014 we have been listed in the [FTSE4Good](#), a worldwide index series geared to sustainability ratings according to environmental, social and governance (ESG) criteria. Based on our published GRI Report, we were also evaluated in the year under review by the rating agency [oekom research AG](#) with an eye to our sustainability performance and – in recognition of our above-average fulfilment of the sector-specific requirements – we were again awarded "Prime" status. Furthermore, we were evaluated by the ESG rating agencies [Robeco SAM](#), [Sustainalytics](#), [Vigeo Eiris](#), [MSCI](#) and [ISS](#). We engage in a continuous dialogue on rating-specific sustainability issues as part of the annual rating processes. Additionally, we were included in the [Global Challenges Index](#) for the first time in 2017 and are listed in major [STOXX](#) indices.

In 2017, as in the previous years, we participated in the survey conducted by the [Carbon Disclosure Project \(CDP\)](#). Information related to climate change is published here with a special orientation towards the capital market. In 2017 we achieved a "B" score (corresponding to the second-best level). In 2018 we shall again participate in the CDP survey.

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In March 2018 we published our Non-Financial Information Statement for the first time as part of our Annual Report 2017. In so doing, we are in compliance with the new CSR Directive Implementation Act. The statement contains the legally required information regarding key environmental, social and employee matters as well as information on respect for human rights and fighting corruption and bribery.

In 2018, with a view to stepping up our dialogue with stakeholders on sustainability issues and fulfilling the requirements of the CSR Directive Implementation Act, we conducted another stakeholder survey

#### GRI Disclosures

102-42 , 102-43 , 102-44 , 103-2 , 413-1

#### More information

-  Customer orientation and satisfaction
-  Employee satisfaction

with the participation of representatives from the stakeholder groups of clients, brokers, the capital market, employees, NGOs and public sector workers. We shall report on the resulting findings in the next Sustainability Report.

Further information on our dialogue formats may be found in the section "Product responsibility" under "Customer relations" and in the section "Employees" under "Employee satisfaction".

 [Website: Sustainability reports and ratings](#)



## Advocacy groups and memberships

We are a member of numerous regional, national and global associations, advocacy groups and organisations. Our employees participate in working groups on various topics and contribute their specialist expertise to relevant discussions on a range of subjects, including sustainability issues.

On the international level our Chief Executive Officer added his signature to the Geneva Association's "Climate Risk Statement" in 2009. Together with the Chief Executives of a further 65 of the world's leading insurance undertakings, our CEO reaffirmed his support for this declaration – originally dating from 2009 – in May 2014. The guiding principles set out therein describe how the insurance industry intends to play its part in global efforts to tackle climate-related risks. These include activities in the areas of product innovation, climate research and investment. We are also represented on the "Extreme Events and Climate Risk Working Group" of the Geneva Association.

In addition, we are a member of the Reinsurance Advisory Board (RAB), which has been registered since July 2015 in the EU Transparency Register. Our CEO took over again as the RAB chair for a two-year term commencing in May 2017.

The design of our investment policy is guided primarily by the ten principles of the United Nations Global Compact. We also work towards safeguarding decent working conditions in our supply chain.

### GRI Disclosures

102-12 , 102-13 , 102-27

### More information

 Emissions

Our Code of Conduct for Suppliers requires respect for human rights and compliance with the core labour standards of the International Labour Organization (ILO).

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

- American Council of Life Insurers ([www.acli.com](http://www.acli.com))
- Chief Risk Officer Forum ([www.thecroforum.org](http://www.thecroforum.org))
- German Insurance Association ([www.gdv.de](http://www.gdv.de))
- Geneva Association ([www.genevaassociation.org](http://www.genevaassociation.org))
- Global Earthquake Model ([www.globalquakemodel.org](http://www.globalquakemodel.org))
- Global Reinsurance Forum ([www.grf.info](http://www.grf.info))
- Insurance Association of China ([www.iachina.cn](http://www.iachina.cn))
- Insurance Ireland ([www.insuranceireland.eu](http://www.insuranceireland.eu))
- International Actuarial Association ([www.actuaries.org](http://www.actuaries.org))
- International Insurance Society ([www.internationalinsurance.org](http://www.internationalinsurance.org))
- International Underwriting Association of London ([www.iua.co.uk](http://www.iua.co.uk))
- OASIS ([www.oasislmf.org](http://www.oasislmf.org))
- Reinsurance Advisory Board of the Insurance Europe federation ([www.insuranceeurope.eu](http://www.insuranceeurope.eu))
- South African Insurance Association ([www.saia.co.za](http://www.saia.co.za))
- VOICE Bundesverband der IT-Anwender e.V. ([www.voice-ev.org](http://www.voice-ev.org))

-  Website: Investor Relations
-  Website: Product responsibility
-  Website: Ecoprofit
-  Website: Geneva Association
-  Website: United Nations
-  Website: International Labour Organization
-  Website: Climate Alliance Hannover 2020