

Strategy and Management

Group strategy

Our vision: Long-term success in a competitive business

Our corporate strategy encompasses ten strategic principles that apply to all business units and help to ensure that we can realise our vision for the strategy cycle of 2015 to 2017, namely "Long-term success in a competitive business".

1. We have ambitious profit and growth targets

- Generate an IFRS return on equity of at least 900 basis points above the risk-free interest rate
- Achieve profitability targets and generate a profit clearly in excess of the cost of capital
- Grow the premium volume (by more than the market average)
- Outperform the Global Reinsurance Index (GloRe) over a three-year period
- Consistently pay an attractive dividend

2. We are a preferred business partner

- Offer an attractive value proposition that makes us the preferred business partner for our clients
- Foster customer relationships to both parties' mutual benefit irrespective of the size of the account

3. We aim for successful employees

- Offer attractive workplaces
- Foster the qualifications, experience and commitment of our staff

4. We strive for an optimal balance between the stability and yield of our investments

- Achieve the target return – risk-free interest rate plus cost of capital

5. We manage risks actively

- Ensure protection of capital through quantitative risk management
- Ensure protection of capital through qualitative risk management

6. We maintain an adequate level of capitalisation

- Ensure that requirements for equity resources (economic capital model, solvency regulations, etc.) are met
- Optimise the overall cost of capital

7. We ensure low costs through an efficient organisational set-up

- Ensure a lower expense ratio than our competitors

8. We use information technology to achieve a competitive advantage

- Information and communication systems assure optimal support for business processes in light of cost/benefit considerations

9. We are committed to sustainability, integrity and compliance

- Ensure conformity with all legal requirements
- Encourage sustainable actions with respect to all stakeholders
- Support considered and pragmatic principles of corporate governance and recognise their central role in guiding our activities

10. We strive for Performance Excellence and continuous improvement

- Ensure the rigorous derivation of strategic objectives across all areas of the company

We implement the goals of our corporate strategy in accordance with our holistic management system Performance Excellence 2.0. We use key indicators in our target matrix to map the status of goal accomplishment. Details are provided under "Value-based management" in the present Sustainability Report, in the respective sections of the current Annual Report and in our Strategy Brochure.




We subject our corporate strategy to regular scrutiny. This strategy review, which is carried out on a rotating basis, was conducted in 2017 in accordance with our established practice. The updated corporate strategy for the period 2018 – 2020 was already unveiled to the public in October 2017 and more extensive information has since been published on our website.

We have no doubts as to the favourable outlook for the worldwide reinsurance market going forward and our goal throughout the 2018 – 2020 strategy cycle is once again to further expand our position as one of the leading, most profitable globally operating reinsurers on a

sustainable basis. We intend to achieve this by creating value through reinsurance for our clients, our shareholders and our employees. With this in mind, we have formulated the new strategy to reflect our vision of "Creating value through reinsurance".

The 2018 – 2020 strategy cycle is shaped by a number of factors, including the advancing digital transformation. The challenges posed by digitalisation and automation quite rightly feature at the very top of our industry's agenda, since technological developments will lead to lasting changes in workflows and processes in the future. This aspect has therefore become an integral component of our corporate strategy: we support our business activities with efficient IT application and we leverage the opportunities offered by digitalisation and automation. Furthermore, the Executive Board has for the first time adopted a stand-alone digitalisation strategy that focuses in detail on the associated opportunities and risks – both with an eye to our business processes and as far as our work as a reinsurer is concerned.

More information

-  [About us](#)
-  [Organisational profile](#)
-  [Value-based management](#)

-  [Website: Group Strategy](#)
-  [Website: Digital strategy](#)
-  [Website: Sustainability Strategy](#)
-  [Website: Company presentation](#)

Digitalisation

Experts expect the cyber market to triple in size by 2020.





In the (re)insurance industry a particularly massive growth surge has been seen among insurtechs. We leverage the benefits of cooperations with what are often small start-up firms to pursue various objectives, including the cultivation of new customer groups.

In 2017 we joined the B3i Blockchain Insurance Industry Initiative. The goal is to structure the digital sharing of information among insurers and reinsurers even more efficiently.

We formulated our first digitalisation strategy in response to the opportunities and risks associated with both digitalisation and automation.

Equity story

Somewhat different

Going about things differently to others – that is exactly what sets us apart. And it has done from the very outset. We are passionate about reinsurance and chart our own course. With lean structures and an efficient organisation, we have established ourselves as one of the leading globally operating reinsurance groups.

Right from our earliest days we were a somewhat different reinsurer: we had to secure a footing with comparatively tight capital resources in a market dominated by long-standing players. Drawing on our quick, flexible and undogmatic business approach, we evolved into a professional reinsurer with extensive specialist expertise. To this day we still operate with the lowest administrative expense ratio in the industry – a competitive edge that enables us to persevere even in protracted soft market phases. In order to grow we often had to break new ground and take on a pioneering role. We were one of the first companies in Europe to receive an S&P rating, for example, and the first German reinsurer to adopt capital-market-oriented accounting principles in its financial reporting. In 1994 we were the first reinsurer to securitise natural catastrophe risks for the capital market. In 1998 this was followed by the first transfer of new business acquisition costs associated with life and health reinsurance. Long embodied in our daily practice, the claim to be "somewhat different" has served as an expression of the entire Hannover Re Group's self-image since 2005.

In 2015 we received approval from the Federal Financial Supervisory Authority (BaFin) to calculate our solvency requirements according to our partial internal capital model following the implementation of Solvency II. In 2017 the Hannover Re Group was additionally permitted by the BaFin to calculate the operational risk on the Group level using the internal model, meaning that it now has a full internal model. Approvals will be sought for the individual entities belonging to the Group. In this way we can best map the risk structure of our reinsurance business – unlike with a standard model. We are thus able to identify attractive business and optimally allocate capital to business groups, regions and lines. We can maximise opportunities for diversification, while continuing to efficiently fulfil our supervisory capital requirements in accordance with Solvency II.

Tailor-made solutions for our business partners establish the basis for strengthening and further extending our position as one of the leading reinsurance groups. They enable us to achieve sustainable success over the long term and assert our standing as one of the world's most profitable reinsurers. By identifying innovative business opportunities associated with newly emerging risks, we constantly enlarge the scope of our commercial activities.

Our ideas and know-how make it possible for our partners to open up new markets. Cooperations with insurtech start-up firms and bonus programmes for a healthy lifestyle may be cited as just two examples. We offer our customers financial solutions individually tailored to their needs and bespoke concepts designed to ease the strain of reserving and deliver capital relief.

Going forward, too, we intend to tackle new developments and challenges with innovative ideas and concepts. In 2016 we held an international ideas competition under the name "Journey Re" in which teams of talented young people were challenged to develop new business models for the insurance and reinsurance industries. Following the six-month project duration eight teams presented their product and business ideas, all of which were found to be promising by the Executive Board. Prize money of EUR 80,000 was awarded to the three concepts offering the greatest prospects of success. The fruits of this initiative were carried over into projects.

After successful project completion the ideas competition transitioned seamlessly into the implementation phase with a view to generating profitable business from these promising ideas. The founding of a new entity in Berlin, which – in the form of a sort of "cyber club" – comprehensively highlights the risk of potential cyber attacks to small and mid-sized businesses and offers suitable protection options, and the project launch of a peer-to-peer insurance concept in Johannesburg, which has already attracted considerable interest there among local media, are just two of the successful outcomes. Not only that, we were also able to recruit around a third of those participating in the competition as new employees for our company.

In recognition of the ever-greater relevance of innovative topics to the entire insurance industry, we extended an invitation to the first international "Innovation Camp" in Berlin in July 2018. The primary focus of the two-day internal workshop attended by 40 members of staff was on strengthening the interconnectedness of our rich innovation landscape, making targeted use of Big Data and exploring future partnerships with insurtechs.

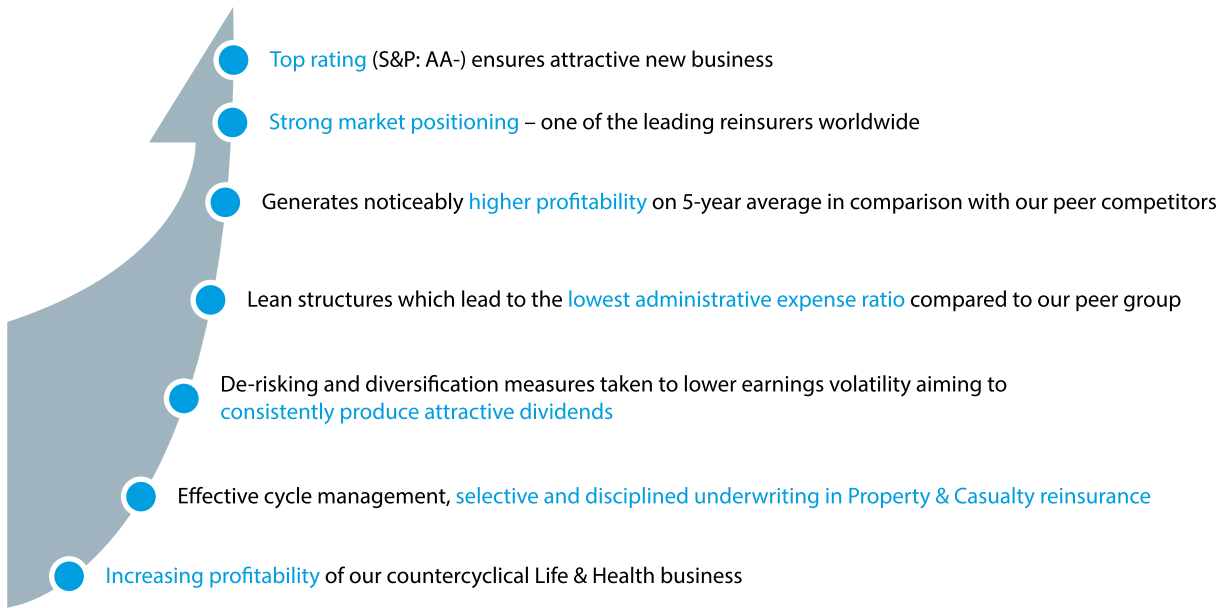
We transact our insurance business with lower management expenses than our peers. This is to the benefit not only of our clients but also our shareholders.

Our global presence and activities in the largely uncorrelated business groups of Property & Casualty and Life & Health reinsurance across all lines of business enable us to enjoy optimal risk diversification. In conjunction with our capital management, this is the key to our comparatively low cost of capital.

We have a very robust capital base which is continuously reviewed with an eye to possible changes in the risk profile. Our rigorous risk

management is geared to acting on business opportunities and hence securing our financial strength over the long term.

Business model



GRI Disclosures

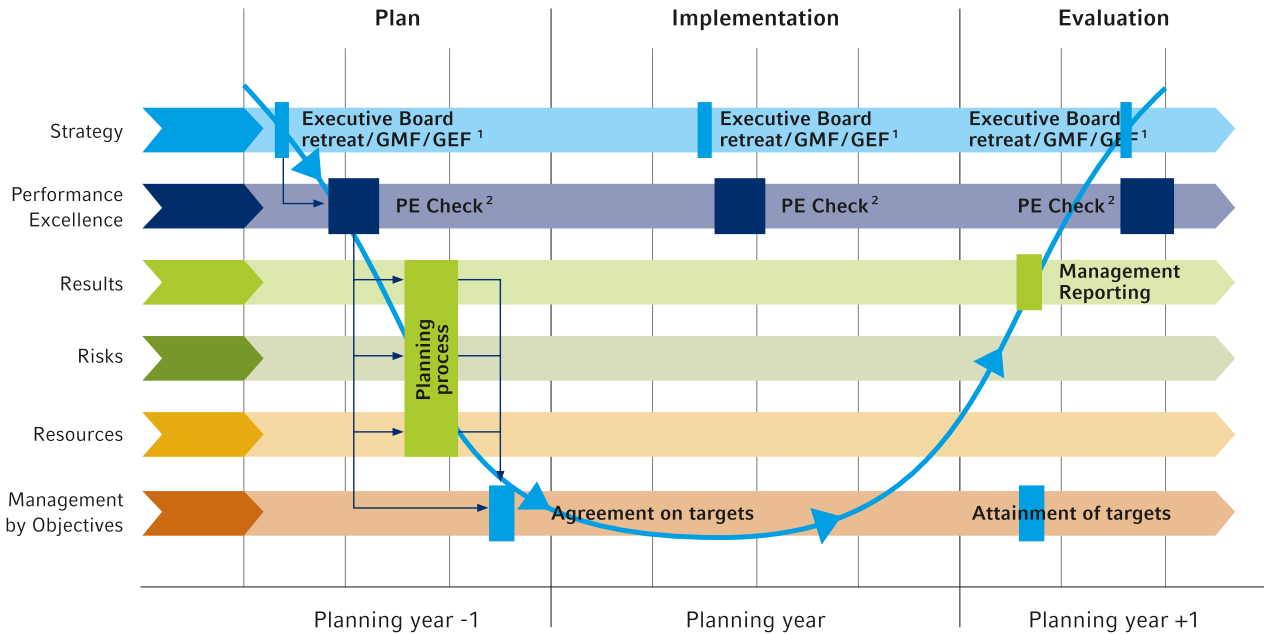
102-16

Value-based management

Our holistic management system Performance Excellence 2.0 ensures implementation of Hannover Re's corporate strategy across the various areas of business. Based on the Excellence Model of the EFQM (European Foundation for Quality Management), it enables each of our

Group's organisational units to define and examine its own contribution to the Group strategy. In this way, we ensure that all initiatives and activities within our Group are rigorously linked to the corporate strategy.

System of value-based management: Performance Excellence (PE) combines the strategic and operational levels



¹ The Global Management Forum (GMF) and the Global Executive Forum (GEF) bring together senior managers of the Hannover Re Group from around the world for the purpose of defining strategic orientations. The parameters developed here serve as the basis for the subsequent planning process.

² Verification and elaboration of contributions to the Group strategy

Our integrated system of enterprise management constitutes the basis for accomplishment of our strategic objectives. Located at its core are, first and foremost, our profit and growth targets, which are summarised for the Group and the individual business groups in the so-called target matrix. In addition to traditional performance indicators geared to the IFRS balance sheet, our system of strategic targets also

includes economic targets derived from our certified internal capital model. These targets are analysed annually and adjusted in the context of the strategy review conducted at regular (three-year) intervals – which is ongoing at the present time. In making adjustments our focus is on long-term strategic target attainment.

Target attainment

Business group	Key data	Targets for 2017	Target attainment			
			2017	2016	2015	Ø 2015 – 2017 ¹
Group	Investment return ²	≥ 2.7%	3.8%	3.0%	3.5%	3.4%
	Return on equity ³	≥ 9.8%	10.9%	13.7%	14.7%	13.1%
	Growth in earnings per share (year-on-year comparison)	≥ 6.5%	-18.2%	1.8%	16.7%	-0.9%
	Value creation per share ⁴	≥ 7.5%	1.5%	18.6%	13.6%	10.6%
Property & Casualty reinsurance	Gross premium growth	3 – 5% ⁵	18.7%	-0.2%	8.1%	8.6%
	Combined ratio	≤ 96% ⁶	99.8%	93.7%	94.4%	96.2%
	EBIT margin ⁷	≥ 10%	12.2%	16.8%	16.6%	15.1%
	xRoCA ⁸	≥ 2%	1.1%	7.1%	7.4%	5.4%
Life & Health reinsurance	Gross premium growth	5 – 7% ⁹	1.4%	-4.3%	9.5%	2.1%
	Value of New Business (VNB) ¹⁰	≥ EUR 220 million	EUR 364 million	EUR 893 million	EUR 543 million	–
	EBIT margin ⁷ Financial Solutions / Longevity	≥ 2%	13.2%	9.4%	11.0%	11.1%
	EBIT margin ⁷ Mortality / Morbidity	≥ 6%	0.0%	3.4%	3.6%	2.3%
	xRoCA ⁸	≥ 3%	-8.5%	2.8%	8.9%	0.5%

¹ Annual average growth, otherwise weighted averages

² Excluding effects from ModCo derivatives

³ After tax; target value: 900 basis points above the five-year average return on ten-year German government bonds

⁴ Growth in book value per share including dividend paid

⁵ Average over the reinsurance cycle; at constant exchange rates

⁶ Including large loss budget of EUR 825 million

⁷ EBIT / net premium earned

⁸ Excess return on allocated economic capital

⁹ Organic growth only; target: annual average growth over a five-year period; at constant exchange rates

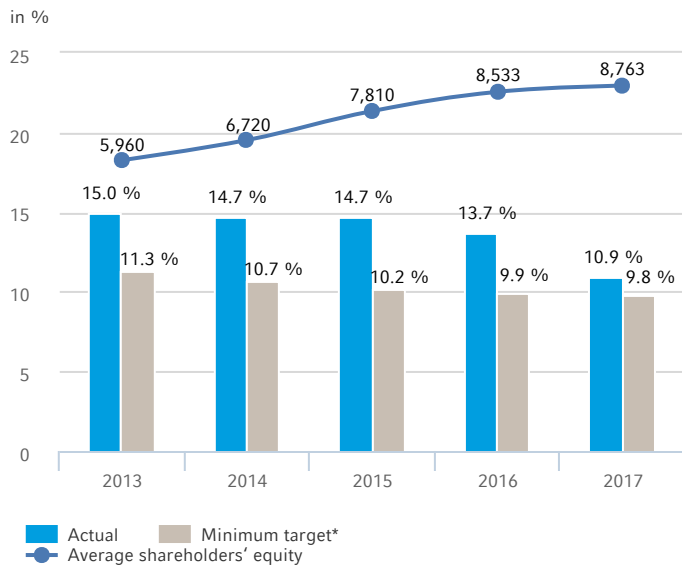
¹⁰ Since 2016 based on Solvency II principles and pre-tax reporting; in 2015 based on MCEV principles with cost of capital of 6% and post-tax reporting

Especially in terms of its return on equity, our Group has performed very favourably in recent years despite the intensely competitive environment faced by reinsurers and the heavy losses of the 2017 financial year. Our return on equity target of 900 basis points above risk-free – which is enshrined in the corporate strategy – already represents a substantial target value creation. Through our business operations on all continents and the diversification between our Property & Casualty

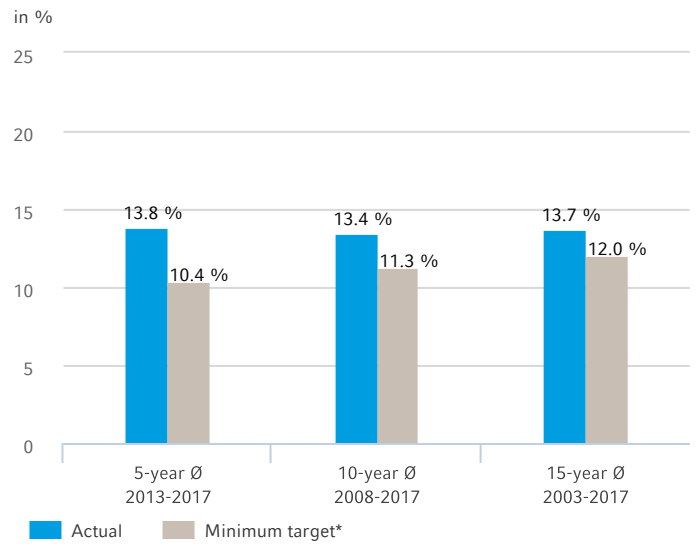
and Life & Health reinsurance business groups we are able to effectively allocate our capital in light of opportunity and risk considerations and among other things generate a higher-than-average return on equity.

The following chart shows that our annual return on equity in recent years comfortably surpassed the set minimum targets.

Return on equity: yearly








Return on Equity: average



* After tax; target: 900 bps above 5-year rolling average of 10-year German government-bond rate („risk free“)

More information

 Sustainability management

-  Website: Group Strategy
-  Website: Company presentation
-  Website: Fact sheet
-  Website: Hannover Re at a glance
-  AR 2017: Value-based management

Business performance

2017 was one of the most costly years ever for the (re)insurance industry and in the history of our company. Most notably, hurricanes Harvey, Irma and Maria – along with other natural catastrophe events – caused net loss expenditure of EUR 749.4 million. With Group net income of EUR 959 million, however, we still generated a thoroughly satisfactory result. Our gross premium income reached EUR 17.8 billion, an increase of 8.8% compared to the previous year. The operating profit (EBIT) stood at EUR 1.4 billion (previous year: EUR 1.7 billion). Earnings per share amounted to EUR 7.95.

Altogether, we distributed around 60% of Group net income to our shareholders. The total amount paid out came to EUR 603.0 million, split into a basic dividend of EUR 3.50 plus a special dividend of EUR 1.50 per share.

More information

 [About us](#)

The equity attributable to shareholders of Hannover Re fell by 5.2% relative to the previous year to reach EUR 8.5 billion (previous year: EUR 9.0 billion). The total policyholders' surplus (including non-controlling interests and hybrid capital) contracted by 4.0% to EUR 10.8 billion (previous year: EUR 11.2 billion). The book value per share decreased accordingly to stand at EUR 70.72 (previous year: EUR 74.61). The return on equity declined to 10.9% (previous year: 13.7%).

Personnel expenditure on wages and salaries amounted to EUR 274.4 million (previous year: EUR 258.1 million) in the last financial year, a modest increase relative to the previous year.

The indirect economic impacts of our business activities are linked to the product-related goals and measures of our Sustainability Strategy and Group Strategy and fall within the scope of responsibility of the Executive Board.

 [AR 2017: Key figures](#)

 [AR 2017: Other information](#)

Sustainability Strategy

102-40, 102-42

For us, sustainability means a commitment to responsible and transparent corporate governance geared to lasting success. With this in mind, in 2011 we drew up a sustainability strategy for the first time. We specify here in more concrete detail the higher-order corporate strategy with an eye to sustainability considerations and commit explicitly to our strategic objective of sustainable value creation. Parallel to our Group strategy, the sustainability strategy is reviewed every three years and approved by both the Executive Board and the Supervisory Board. The considerable importance attached to sustainability issues is reflected in the associated responsibility within the company: the Executive Board is responsible for the sustainability strategy and jointly tracks its implementation.

Our stakeholder universe was defined as part of the elaboration of the sustainability strategy. The selection of relevant stakeholders is determined by our business activities and our geographical presence, and it is regularly reconciled with representatives of the business units. Particularly important stakeholder groups for our company are as follows: clients, employees, the capital market, the public sector and non-governmental organisations (NGOs).

In 2014 we reviewed our corporate and sustainability strategy in keeping with our three-year strategy cycle. In conformity with the Group Strategy, the sustainability goals that had been set for the strategy cycle just ended were therefore similarly revisited and modified in light of a materiality analysis and to reflect the current need for action. Sustainability goals that had still to be achieved were carried over to the new strategy cycle. Our Sustainability Strategy for the years 2015 to 2017 defines four action fields and specifies 14 concrete goals and 42 measures.

GRI Disclosures

102-15 , 102-26 , 102-29 , 102-40 , 102-42

More information

-  About us
-  Materiality analysis

Action fields at Hannover Re



In the context of our Sustainability Report we discuss the individual action fields at length in the following sections, describe the key topics and elaborate on our goals and measures.

The Group Strategy 2018 – 2020, which was unveiled in October 2017, sets in motion a new strategy cycle in the context of which the Sustainability Strategy was also revisited. The new Sustainability Strategy can be viewed on our website. In the present Sustainability Report we take a final look at the achievement of goals defined in our Sustainability Strategy for the years 2015 – 2017.

 [Website: Sustainability strategy](#)

Materiality analysis

102-42, 102-43, 102-44, 102-46, 102-47

The major sustainability issues for our company can influence the Group's commercial success in the short, medium and long term. With this in mind, we carried out an internal materiality analysis in 2014. In the context of several workshops attended by representatives from all relevant specialist units and held with external support, major topics along the value creation chain, compulsory and voluntary standards as well as long-term trends were identified. We then weighted the topics using a rating system to determine materiality.

Core issues associated with environmental, social and governance (ESG) ratings and UN initiatives have additionally been taken into account and added to our list of material topics accordingly. Social con-

cerns and environmental impacts associated with our company are also included in our considerations, even though the latter are comparatively minor.

Subsequent clustering then adds to the clarity of differentiation between the selected topics and helps to avoid duplications. In this way, we have identified 15 material sustainability issues that are set out accordingly in the Sustainability Report:

Action field	Clustering of material issues
Governance and Dialog	Responsible corporate governance
	Compliance
	Risk management
	Stakeholder dialogue
Product Responsibility	Risk expertise
	Sustainable insurance solutions
	ESG in asset management
	Customer orientation and satisfaction
Employees	Executive development / Employee advancement
	Employee retention
	Diversity
	Co-determination
Environment and Society	Operational environmental conservation
	Supplier management
	Social commitment

In the context of the materiality analysis we also identified nine material issues in the area of financial performance. These are covered by the corporate strategy. We report extensively on the progress of goal achievement in the Annual Report 2017.

In the process of preparing the Non-Financial Information Statement in conformity with the CSR Directive Implementation Act (CSR-RUG) and going beyond the definition of materiality applied in our Sustainability Report, the legally required dimensions of "business relevance" and "impacts" were factored into the determination of materiality. As a first step, the 15 material issues identified for the sustainability strategy were evaluated with an eye to their business relevance to the non-financial aspects of the CSR Directive Implementation Act. In a second step, the issues pinpointed by this evaluation as material were also rated according to their direct and indirect impacts on the non-financial aspects. All issues determined to be material under the CSR Directive Implementation Act were included and form the content of our Non-Financial Information Statement, which is contained and published in the management report within our Group Annual Report.

GRI Disclosures

102-42 , 102-43 , 102-44 , 102-46 , 102-47

More information

 Value-based management

With a view to stepping up the dialogue with stakeholders on sustainability issues, we conducted a stakeholder survey in 2018 in the context of the new CSR Directive Implementation Act. Representatives of the following stakeholder groups were surveyed: clients, brokers, the capital market, employees, NGOs and the public sector. On this basis the materiality analysis was reconsidered and modified. It is intended to comply with both the GRI and the CSR Directive Implementation Act and establish the basis for our Sustainability Report and our Non-Financial Information Statement.

The new materiality analysis for the first time takes account of the Sustainable Development Goals (SDGs) of the United Nations, which came into force in 2016. These consist of 17 concrete goals which are intended to bring about a more sustainable and a more fair and equitable world by the year 2030. As a reinsurer with worldwide operations, we play an active part in the realisation of global sustainability goals and we want to make our contribution to the SDGs visible going forward.

 AR 2017: Group and sustainability strategy

Table of goals for 2015 – 2017 (sustainability goals and measures)

The goals defined under our Sustainability Strategy complement and / or specify in greater detail the ten objectives set out in our Group

Strategy – especially the ninth objective: "We are committed to sustainability, integrity and compliance".

I. Governance and Dialogue

Goals and measures	Contribution to goal achievement since 2015
Compliance	
Goal: Expansion of compliance concepts and guidelines in relation to specific topics	
<ul style="list-style-type: none"> Extension of compliance requirements in IT 	<p>A Cloud Competence Centre was set up to ensure IT compliance with an eye to the increasing number of Cloud-based projects. In 2017 altogether 15 Cloud projects were supported. An existing guideline regarding new specifications and IT requirements was specially modified for the international offices. A system-supported procedure to assist with IT compliance control processes was implemented in 2017. In response to the entry into force of the new EU General Data Protection Regulation (GDPR), we established an IT GDPR standard in 2018 that describes in concrete terms how the company implements the GDPR requirements.</p>
<ul style="list-style-type: none"> Expansion of the international compliance network 	<p>Each year we organise a European Compliance Officer Meeting and additionally hold conference calls within this body in the other three quarters.</p>
Responsible, value-based enterprise management	
Goal: Value creation for our shareholders	
<ul style="list-style-type: none"> Our goals and performance indicators for value-based enterprise management are set out as part of our Group strategy. 	<p>For further information see the section of the Annual Report entitled > Value-based management.</p>
Goal: Attractive investment for sustainability-minded investor groups	
<ul style="list-style-type: none"> Active dialogue with rating agencies for sustainability with a view to ongoing inclusion in at least one recognised sustainability index as well as maintaining the oekom "Prime" rating 	<p>A regular, active dialogue is conducted with rating agencies. In 2017 we were again listed in the FTSE4Good Index and retained the "Prime" rating from oekom research. In March 2017 we were accepted for the first time into the Global Challenges Index (GCX) administered by the Hannover Stock Exchange and oekom. Based on our favourable evaluation from the > CDP, we are included in the major STOXX family indices.</p>
<ul style="list-style-type: none"> Enlarge on rating-specific sustainability topics 	<p>In the context of the online Sustainability Report 2017 we are more responsive to the information requirements of rating agencies and have included various additions, for example on topics such as reinsurance solutions.</p>

Goals and measures	Contribution to goal achievement since 2015
Transparency and Disclosure	
Goal: Expansion of reporting on sustainability issues	
<ul style="list-style-type: none"> Changeover to GRI G4 reporting, Core option 	<p>The changeover was completed in 2016 with the compilation of the Sustainability Report for the 2015 financial year. The present Sustainability Report has been drawn up in accordance with the GRI standards that have been mandatory since July 2018, Core option.</p>
<ul style="list-style-type: none"> Bringing forward of the publication date of the Sustainability Report 	<p>This is an ongoing measure.</p>
<ul style="list-style-type: none"> Setting up of a sustainability competence team and appointment of a sustainability officer 	<p>The interdisciplinary working group has been set up and meets at least annually to reconcile strategic goals and measures and also at shorter intervals in sometimes smaller constellations depending on matters at hand.</p>
<ul style="list-style-type: none"> Expansion of the sustainability information provided on the website 	<p>The sustainability information provided on our website is reviewed and updated annually in connection with the preparation of the sustainability report.</p>
<ul style="list-style-type: none"> Extension of (> ESG (environmental, social and governance) data collection to include the Group's international locations 	<p>This is an ongoing measure.</p>
<ul style="list-style-type: none"> Group-wide recording of sustainability projects 	<p>This is an ongoing measure.</p>
Goal: Purposeful stakeholder dialogue	
<ul style="list-style-type: none"> Systematic expansion of the stakeholder dialogue, e.g. with investors practising socially responsible investment (SRI) through participation in SRI conferences / roadshows, with rating agencies and by means of regular stakeholder surveys 	<p>A regular dialogue takes place with SRI investors and rating agencies on an ongoing basis.</p>
<ul style="list-style-type: none"> Compilation of a fact sheet on sustainability at Hannover Re 	<p>The fact sheet was published in the summer of 2018.</p>

II. Product Responsibility

Goals and measures	Contribution to goal achievement since 2015
Customer orientation / satisfaction	
Goal: Step up our dialogue with customers	
<ul style="list-style-type: none"> Expand avenues for international dialogue 	<p>Our "Building Bridges" seminar series in the Property & Casualty reinsurance business group serves to intensify customer relationships and is regularly expanded to cover current issues.</p> <p>In the Life & Health reinsurance business group the "ReCent Medical News" newsletter has been an established fixture for some years now, providing insights into medical research findings, case studies and underwriting methods.</p> <p>Multiple customer surveys have been carried out since 2015 (Australia, Italy, North America, Credit, Surety & Political Risk, Germany and US Broker survey).</p> <p>Implementation of our own CRM (Client Relationship Management) application "CoRe" has begun. This is to be further expanded in subsequent years.</p>
Sustainable insurance solutions	
Goal: Development and expansion of "sustainable" products	
<ul style="list-style-type: none"> Closer cooperation with primary insurers to develop and expand sustainable products 	<p>In addition to developing agricultural insurance products, we are involved in various initiatives and projects. For example, we cooperate with the German Corporation for International Cooperation (GIZ) and participate in the Munich Climate Insurance Initiative (MCII). Furthermore, we provide reinsurance protection through African Risk Capacity, a specialised agency offering insurance covers against extreme weather events for African nations.</p>
<ul style="list-style-type: none"> Development of products that promote, for example, renewable energies 	<p>We encourage the expansion of products relevant to climate change.</p> <p>Index-based > disaster finance concepts have been developed for countries in South America and Asia that guarantee prompt financial aid in the event of a natural disaster.</p>
<ul style="list-style-type: none"> Further expansion of > microinsurance products 	<p>Demand for insurance solutions for agricultural land and livestock continues to increase owing to steady growth in the world's population, the associated need for food and the impacts of climate change. The insurance of agricultural production is especially important to the development of poor regions. In 2017 we wrote a premium volume in the mid-triple-digit millions of euros in the area of agricultural risks, roughly three-quarters thereof in developing and emerging markets of South America, Asia and Africa.</p>
<ul style="list-style-type: none"> Expansion of the dialogue on (> emerging risks)emerging risks 	<p>An internal information system on topics relating to emerging risks serves as a basis for dialogue and for keeping our employees updated. The expansion of the dialogue is to be continued in the 2018 – 2020 strategy cycle.</p>

Goals and measures	Contribution to goal achievement since 2015
ESG criteria in asset management	
Goal: Extension of ESG guidelines for asset management	
<ul style="list-style-type: none"> • Signing of the UN Principles for Responsible Investment (PRI) to be reviewed 	<p>In 2017 a review was launched of the requirements associated with signing the UN PRIs. A specific recommendation for action has not, however, been formulated as yet and a final decision has still to be taken.</p>
<ul style="list-style-type: none"> • Refinement of the ESG Investment Policy incl. development of positive screening 	<p>The existing ESG Investment Policy has already been refined and supplemented with a > best-in-class investment approach, including positive screening. The tool was implemented in 2018. Analysis according to ESG criteria encompasses the portfolio, which is also subject to negative screening. Initial findings show a very pleasing picture of the sustainability quality of the current asset portfolio. Furthermore, since 2018 we have also observed sustainability criteria in relation to fossil fuel resources. We thus exclude issuers that generate 25% or more of their turnover from mining or burning coal.</p>
<ul style="list-style-type: none"> • Appointment of an ESG officer on the Investment Team 	<p>In April 2015 we appointed an ESG officer on the Investment Team.</p>

III. Employees

Goals and measures	Contribution to goal achievement since 2015
Health management	
Goal: Preserve and restore the performance capability of our staff	
<ul style="list-style-type: none"> Continuation of existing health programmes / check-ups 	<p>In 2017 we held our second "Wellness Day", offering employees at the Hannover location a wide-ranging programme on health and prevention topics. An additional training concept addressing relaxation skills has been in place for several years. We also extended our training programme for executives by adding the seminar event "Wellness – Individual Responsibility and Management Task". The newly launched management seminar "Leadership in the Generation Mix" combines elements of health and generational management.</p>
<ul style="list-style-type: none"> Development of a counselling service for professional and personal crises ("Employee Assistance Programme" at the Hannover location) 	<p>Since August 2016 we have made an external and – if so desired – anonymous telephone counselling service available to our staff and executives at the Hannover location.</p>
<ul style="list-style-type: none"> Implementation of Occupational Integration Management for employees returning after illness 	<p>Elaboration took place in a dedicated working group. Discussions and consultations with the Employee Council continued in the year under review. A corresponding Company Agreement was concluded on 16 April 2018.</p>
<ul style="list-style-type: none"> Continuation of the offered family services 	<p>These services form part of the Employee Assistance Programme (EAP) offered since August 2016 and therefore continue to be available to our employees and executives.</p>
Executive development / Employee advancement	
Goal: Expansion of further training measures for specialist and executive staff	
<ul style="list-style-type: none"> Continuation and internationalisation of the executive development programme 	<p>We offer our executives further training and support measures specially tailored to their needs as well as opportunities for individual coaching. This was already the case in the period under review and will be continued in the 2018-2020 strategy cycle.</p>
<ul style="list-style-type: none"> Expansion of the training programme, e.g. through blended learning 	<p>In 2015 the Hannover Re Academy was rolled out at the Hannover location as a seminar management and booking tool. Our training programme is constantly reviewed with an eye to its orientation and quality. For example, our training programme for executives as well as the modular seminar series "New to Management" and internally offered seminars on employment law were modified.</p>
<ul style="list-style-type: none"> Internationalisation of the surveys on employee satisfaction 	<p>A worldwide employee survey was conducted in 2015 / 2016. Individual measures were explored in various areas of the company and, where appropriate, implemented.</p>

Goals and measures	Contribution to goal achievement since 2015
--------------------	---

Diversity

Goal: Promoting diversity and a work / life balance

<ul style="list-style-type: none"> Continuation of the mentoring programme for female employees with the aim of increasing the proportion of women in management positions 	<p>The first round of the programme was completed in 2016. Informational events for a new implementation round were held at the end of 2016 and the internal application process was set in motion. As a result, the next round of the mentoring programme got underway in March 2017 – expanded to seven mentee-mentor tandems.</p>
<ul style="list-style-type: none"> Training / awareness-raising of executives 	<p>An executive seminar was held on "Gender-specific communication". This forms an integral component of our (further) training programme for executives and continued in 2018.</p>
<ul style="list-style-type: none"> Expansion of the care services provided for employees' children at the company's infant daycare centre 	<p>30 places are currently available. The childcare support on offer is expanded as necessary; no additional places were needed in 2017.</p>

IV. Environment and Society





Goals and measures	Contribution to goal achievement since 2015
Environmental protection	
Goal: Ongoing reduction of CO₂ emissions as well as carbon neutrality at the Hannover location by 2015	
<ul style="list-style-type: none"> Recertification according to ISO 14001 at the Hannover location 	<p>Recertification was completed in November 2015. Our environmental certificate is thus valid for a further 3 years. In 2016 we had additional validation carried out as per the > EMAS- III Regulation and from now on we shall publish a validated EMAS III environmental statement on an annual basis.</p>
<ul style="list-style-type: none"> Progressive worldwide rollout of the transition to renewable energies 	<p>This is an ongoing measure.</p>
<ul style="list-style-type: none"> Staff training in environmental protection 	<p>This has hitherto been carried out annually through online training for all staff at the Hannover location. From 2018 onwards our employees will be informed about key topics in environmental protection via our internal Social Media platforms.</p>
<ul style="list-style-type: none"> Creation of an international network of Hannover Re environmental managers 	<p>This is an ongoing measure.</p>
<ul style="list-style-type: none"> Extension of environmental data collection to include the Group's international locations 	<p>This is an ongoing measure.</p>
Supplier management	
Goal: 100 % of relevant suppliers are measured by environmental and social standards	
<ul style="list-style-type: none"> Clustering of (groups of) suppliers into ESG risk categories 	<p>Clustering is complete. Suppliers evaluated critically in an ESG risk category are blacklisted and no further orders are placed with them</p>
<ul style="list-style-type: none"> Ongoing selection and evaluation of suppliers according to environmental and social standards 	<p>All major new suppliers for the Hannover location are reviewed with the aid of our established procedure for self-reporting. We require our suppliers to comply with our Code of Conduct for Suppliers.</p>
<ul style="list-style-type: none"> Adoption of supplier evaluation in all areas of the company at Hannover Home Office 	<p>All major suppliers for the Hannover location are regularly reviewed with the aid of our established procedure for self-reporting. Suppliers evaluated critically are blacklisted and no further orders are placed with them.</p>
<ul style="list-style-type: none"> Green IT: Development of IT purchasing guidelines and minimum standards 	<p>This is an ongoing measure.</p>

Goals and measures	Contribution to goal achievement since 2015
Social commitment	
Goal: Group-wide coordinated guidelines and recording of social activities	
<ul style="list-style-type: none"> Review and as necessary refine uniform Group-wide guidelines for donations and sponsorship ("Social Activity Guidelines") 	<p>Our internal Donations Guideline ensures that our social activities primarily benefit the common good.</p>
<ul style="list-style-type: none"> Group-wide recording of donations and sponsorship activities 	<p>This is an ongoing measure.</p>

GRI Disclosures

103-2

More information

-  Governance and Dialogue
-  Product responsibility
-  Employees
-  Environment and Society

 [Website: Sustainability Strategy](#)

Sustainability management

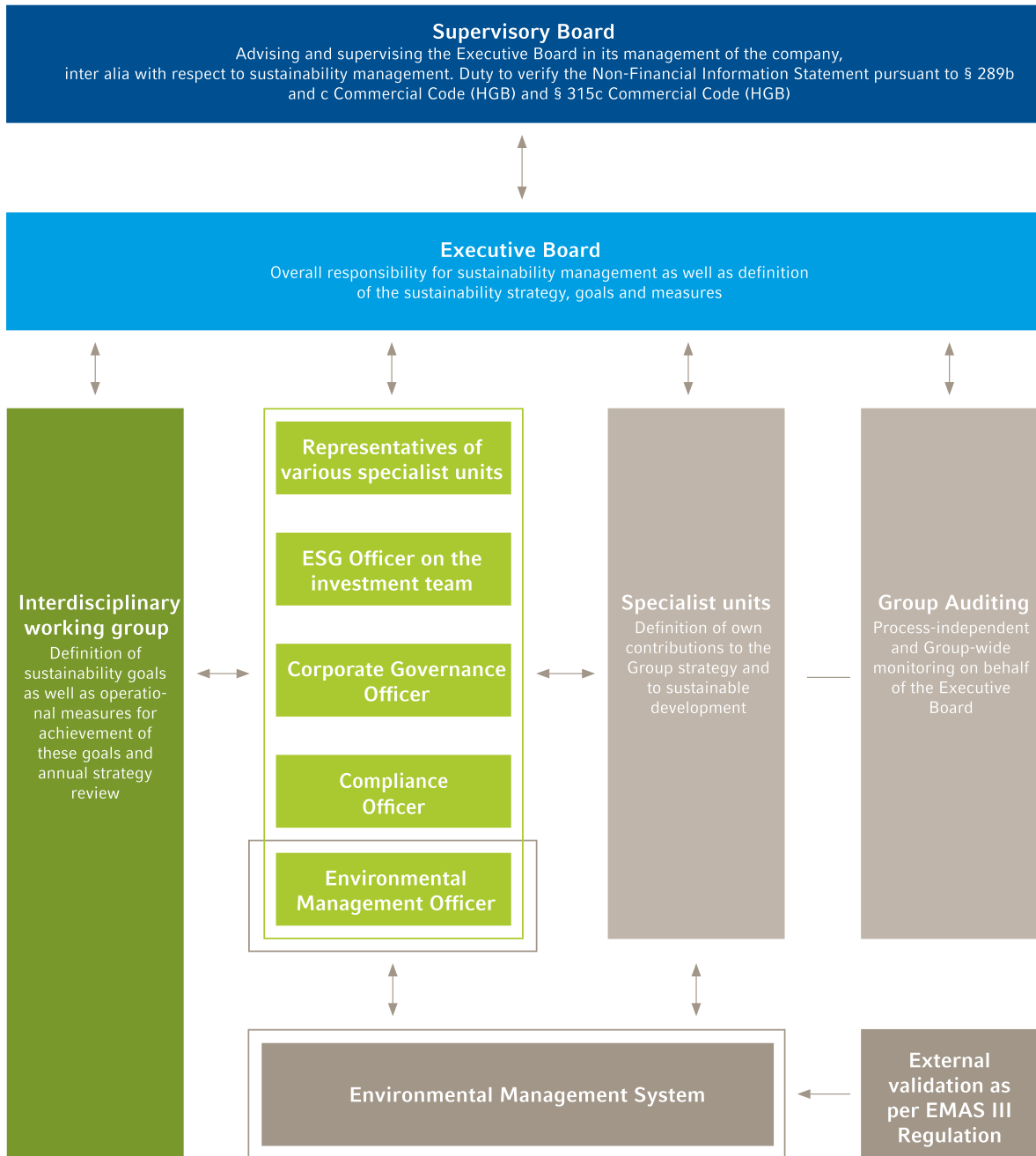
Responsibility for the topic of sustainability rests with our entire Executive Board. The Environmental Management Officer, the Compliance Officer and the Corporate Governance Officer report on a regular basis to the Executive Board. In addition, the sustainable value creation of Hannover Re is ensured by a comprehensive risk management system with appropriate reporting structures.

In our business operations we not only comply with applicable laws but are also guided by voluntary guidelines such as our Code of Conduct, which was revised in 2017 and is applicable Group-wide. We take our lead from the guidelines of the ILO and the principles of the UN Global Compact, most importantly with respect to the observance of human rights, inter alia with regard to the UK Modern Slavery Act

and in the management of our investments. By requiring our suppliers to comply with our Code of Conduct for Suppliers, we are seeking to promote sustainability throughout our entire value creation process.

The CSR competence centre at the Hannover location takes responsibility for preparing Hannover Re's strategic orientation in matters of sustainability and for defining appropriate operational measures. Comprised of representatives from various specialist departments, it meets annually for the strategy review and on a case-by-case basis in various constellations depending on the tasks to be dealt with. It is incumbent on each member to advance the goals of the Sustainability Strategy within his or her specialist area.

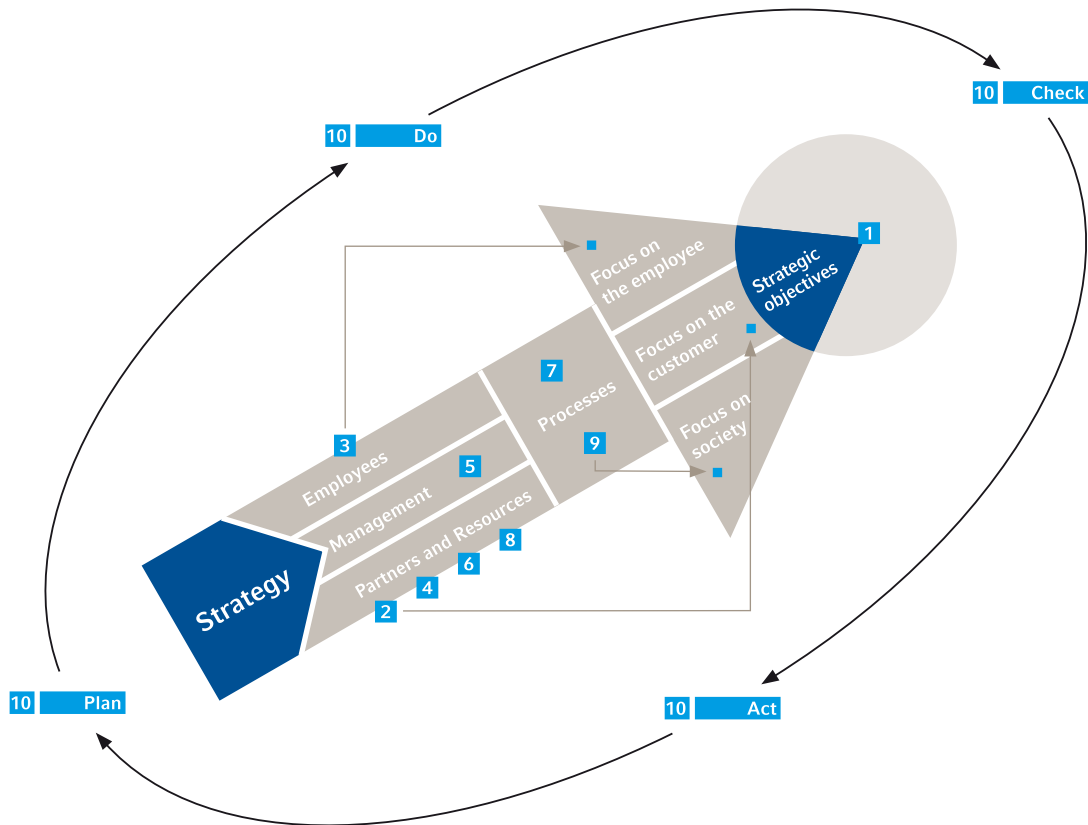
Central functions of sustainability management



In accordance with our holistic management system of Performance Excellence 2.0, each organisational unit of the Hannover Re Group defines its own contribution to the Group Strategy and hence to the sustainable development of the company with the aid of the internal Strategy Guide and the Strategy Cockpit tool. The most important working document used by all organisational units for the compilation of strategy contributions is the Strategy Guide. The Strategy Guide sets out in detail the goals that we pursue and the contributions that organisational units are expected to make to individual goals and areas of topical emphasis. The sustainability goals and measures of the Hannover

Re Group are also embedded in the Strategy Guide. In this way, we ensure that all initiatives and activities within Hannover Re are rigorously linked to the Group Strategy and the Sustainability Strategy and that strategic innovations cascade further to reach all actors. Documentation of the strategy contributions and regular implementation controlling are carried out by the organisational units in the Strategy Cockpit. Corresponding reporting to the Executive Board by the responsible department takes place on a regular basis.

Performance Excellence




Management approaches to specific topics in the areas of "Governance and Dialogue", "Product Responsibility", "Employees" and "Environment and Society" are discussed in the relevant chapter.

GRI Disclosures

102-18 , 102-19 , 102-20 , 102-26 , 102-29

More information

-  Governance and Dialogue
-  Product responsibility
-  Employees
-  Environment and Society
-  Value-based management
-  GRI Disclosures

 [Website: Sustainability management](#)